Bank ICBC (Joint Stock Company)

Financial Statements
prepared in accordance with IFRS
and Independent Auditor's Report
as at 31 December 2020

Moscow 2021

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Independent Auditors' Report

To the Shareholder and Board of Directors of Bank ICBC (joint-stock company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank ICBC (joint-stock company) (the "Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the independence requirements that are relevant to our audit of the financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report of findings from procedures performed in accordance with the requirements of Federal Law No 395-1, dated 2 December 1990, *On Banks and Banking Activity*

Management is responsible for the Bank's compliance with mandatory ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Bank of Russia.

In accordance with Article 42 of Federal Law No 395-1, dated 2 December 1990 *On Banks and Banking Activity* (the "Federal Law"), we have performed procedures to examine:

— the Bank's compliance with mandatory ratios as at 1 January 2021 established by the Bank of Russia; and

— whether the elements of the Bank's internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Bank of Russia, and recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

— Based on our procedures with respect to the Bank's compliance with the mandatory ratios established by the Bank of Russia, we found that the Bank's mandatory ratios, as at 1 January 2021, were within the limits established by the Bank of Russia.

  We have not performed any procedures on the accounting records maintained by the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Bank's financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

— Based on our procedures with respect to whether the elements of the Bank's internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia, we found that:

  - as at 31 December 2020, the Bank's internal audit function was subordinated to, and reported to, the Board of Directors, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Bank of Russia;

  - the Bank's internal documentation, effective on 31 December 2020, establishing the procedures and methodologies for identifying and managing the Bank's significant credit and market risks, funding and liquidity risk and business risk, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Bank of Russia;

  - as at 31 December 2020, the Bank maintained a system for reporting on the Bank's significant credit and market risks, funding and liquidity risk and business risk, and on the Bank's capital;

- the frequency and consistency of reports prepared by the Bank's risk management and internal audit functions during 2020, which cover the Bank's credit and market risks, funding and liquidity risk and business risk, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the effectiveness of the Bank's procedures and methodologies, and recommendations for improvement;
- as at 31 December 2020, the Board of Directors and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2020, the Board of Directors and Executive Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

Procedures with respect to elements of the Bank's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Federal Law and as described above, comply with the requirements established by the Bank of Russia.

The engagement partner on the audit resulting in this independent auditors' report is:

Mesheryakov S.Y.

JSC "KPMG"
Moscow, Russia

27 April 2021

(Thousands of Russian Roubles)

Statement of Profit or Loss and Other Comprehensive Income

	Note	2020	2019
Interest income calculated using the effective interest method	5	2,301,018	2,395,902
Other interest income	5	19,552	22,980
Interest expense	5	(1,012,330)	(1,291,706)
Net interest income	5	**1,308,240**	**1,127,176**
Change in allowance for expected credit losses on interest-bearing debt financial assets	11,12,13,14,16	70,987	45,900
Net interest income after change in allowance for expected credit losses		**1,379,227**	**1,173,076**
Net gains from transactions with foreign currencies and financial derivatives		600,977	775,499
Operating income		**600,977**	**775,499**
Fee and commission income	6	98,612	99,124
Fee and commission expense		(24,251)	(39,596)
Net fee and commission income		**74,361**	**59,528**
Change in other reserves	16,19	(10,507)	2,135
Other operating income		23,007	30,956
Operating expenses	7	**(989,500)**	**(887,647)**
Profit before income tax		**1,077,565**	**1,153,547**
Income tax expense	8	(212,948)	(212,565)
NET PROFIT		**864,617**	**940,982**
TOTAL COMPREHENSIVE INCOME		**864,617**	**940,982**

Approved for issue and signed on behalf of the Management Board of the Bank on 27 April 2021.

President — Li Wencong

Chief Accountant — N.V. Kuzmina

АйСиБиСи Банк (акционерное общество)
Bank ICBC (joint stock company)
АКЦИОНЕРНОЕ ОБЩЕСТВО
1077711000157
МОСКВА

The accompanying notes are an integral part of these financial statements.

(Thousands of Russian Roubles)

Statement of Financial Position

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	11	19,240,127	7,682,672
Mandatory cash balances with the Central Bank of the Russian Federation		553,035	330,237
Amounts due from financial institutions	12	29,685,582	19,806,080
Financial assets at fair value	12,25	621,228	783,509
Loans and advances to customers	13	19,538,296	21,979,853
Investment securities	14	10,106,548	9,098,615
Property and equipment and intangible assets	15	373,111	110,883
Other assets	16	172,945	115,377
Total assets		**80,290,872**	**59,907,226**
LIABILITIES			
Amounts due to financial institutions	17	21,912,248	16,686,465
Amounts due to customers	18	35,471,260	22,548,224
Subordinated loans	20	8,904,058	7,497,055
Other liabilities and provisions	19	1,429,041	289,092
Total liabilities		**67,716,607**	**47,020,836**
EQUITY			
Share capital	21	10,809,500	10,809,500
Retained earnings	21	1,764,765	2,076,890
Total equity		**12,574,265**	**12,886,390**
Total liabilities and equity		**80,290,872**	**59,907,226**

Approved for issue and signed on behalf of the Management Board of the Bank on 27 April 2021.

President Li Wencong

Chief Accountant N.V. Kuzmina

The accompanying notes are an integral part of these financial statements.

(Thousands of Russian Roubles)

Statement of Changes in Equity

	Note	Share capital	Retained earnings	Total equity
Balance as at 1 January 2019		**10,809,500**	**1,855,874**	**12,665,374**
Total comprehensive income for the year ended 31 December 2019		-	940,982	**940,982**
Dividends paid	10	-	(719,966)	**(719,966)**
Balance as at 31 December 2019		**10,809,500**	**2,076,890**	**12,886,390**
Balance as at 1 January 2020		**10,809,500**	**2,076,890**	**12,886,390**
Total comprehensive income for the year ended 31 December 2020		-	864,617	**864,617**
Dividends paid	10	-	(1,176,742)	**(1,176,742)**
Balance as at 31 December 2020		**10,809,500**	**1,764,765**	**12,574,265**

Approved for issue and signed on behalf of the Management Board of the Bank on 27 April 2021.

President — Li Wencong

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АКЦИОНЕРНОЕ ОБЩЕСТВО * ОГРН 1077711000157 * МОСКВА
АйСиБиСи Банк
(акционерное общество)
Bank ICBC
(joint stock company)

(Thousands of Russian Roubles)

Statement of Cash Flows

	Note	2020	2019
Cash flows from operating activities			
Interest received		2,231,492	2,630,521
Interest paid		(1,051,347)	(1,657,863)
Fees and commissions received		98,612	99,124,
Fees and commissions paid		(24,251)	(39,596)
Transactions with foreign currencies		(2,500,280)	1,683,734
Other operating income received		26,525	30,956
Operating expenses paid		(834,495)	(874,005)
Income tax paid		(142,746)	(274,560)
Cash flows from operating activities before changes in operating assets and liabilities		**(2,196,490)**	**1,598,311**
Net change in mandatory reserves with the Central Bank of the Russian Federation		(222,798)	158,426
Net change in due from financial institutions		(7,993,447)	(1,139,281)
Net change in loans and advances to customers		6,313,133	(1,717,212)
Net change in other assets		(107,438)	(28,453)
Net change in due to financial institutions		2,294,798	(6,005,573)
Net change in due to customers		11,282,774	5,025,491
Net change in other liabilities		710,156	98,708
Net cash from/(used in) operating activities		**10,080,688**	**(2,009,583)**
Cash flows from investing activities			
Purchase of investment securities		(7,896,566)	(7,354,595)
Proceeds from disposal of investment securities		7,242,382	7,895,766
Purchase of property and equipment and intangible assets		(8,845)	(1,811)
Proceeds from sale of property and equipment		-	(106)
Net cash from/(used in) investing activities		**(663,029)**	**539,254**
Cash flows from financing activities			
Repayment of lease liabilities	15	(69,351)	(59,538)
Dividends paid	10	(1,176,742)	(719,966)
Net cash used in financing activities		**(1,246,093)**	**(779,504)**
Effect of exchange rate changes on cash and cash equivalents		3,385,889	(961,137)
Net increase/(decrease) in cash and cash equivalents		**11,557,455**	**(3,210,970)**
Cash and cash equivalents at the beginning of the reporting period	11	7,682,672	10,893,642
Cash and cash equivalents at the end of the reporting period	**11**	**19,240,127**	**7,682,672,**

Approved for issue and signed on behalf of the Management Board of the Bank on 27 April 2021.

President — Li Wencong

Chief Accountant — N.V. Kuzmina

АКЦИОНЕРНОЕ ОБЩЕСТВО * ОГРН 1077711000157 * МОСКВА
АйСиБиСи Банк (акционерное общество)
Bank ICBC (joint stock company)

The accompanying notes are an integral part of these financial statements.

(Thousands of Russian Roubles)

Notes to the Financial Statements

1 Principal activity

Bank ICBC (joint stock company) (the "Bank") was established in 2007.

The Bank's sole shareholder is Industrial and Commercial Bank of China Limited, the ultimate controlling party of which is the People's Republic of China represented by the Ministry of Finance of the RRC.

The structure of the owners (shareholders) of the Bank is represented in the table below:

Owner (shareholder)	31 December 2020	31 December 2019
Industrial and Commercial Bank of China Limited	100,00%	100,00%
Total	**100,00%**	**100,00%**

The Bank has the following licenses issued by the Central Bank of the Russian Federation (the "Bank of Russia"):

- the general license No.3475 was granted to ICBC Bank (JSC) on 26 January 2018;
- brokerage operations, license No.045-13990-100000 issued on 18 August 2016;
- depositary operations, license No.045-13992-000100 issued on 18 August 2016;
- dealing operations, license No.045-13991-010000 issued on 18 August 2016;

The Bank is a participant of a deposit insurance system, certificate No.1009 dated 17 November 2016.

The principal activities of the Bank are the following: legal entities and individuals deposit taking (on demand and for a specific term); placement of attracted funds of legal entities and individuals on its behalf and for its own account; opening and maintenance of the banks' accounts of legal entities and individuals; settlements on behalf of legal entities and individuals including correspondent banks on their bank accounts; cash and settlement documents collection, providing cash services to individuals and legal entities; foreign exchange trading on a cash and non-cash basis; issuing bank guarantees; money transfers on behalf of individuals without opening bank accounts (except for postal transfer), professional services at the securities market.

The Chairman of the Board of Directors is Cui Liang.

The structure of the Bank operating in the Russian Federation includes:

- Branch of ICBC Bank (JSC) in Saint-Petersburg located at 12-14 Litera A, Khersonskaya Street, Saint-Petersburg, 191024, Russian Federation;
- GREENWOOD supplementary office of ICBC Bank (JSC) located at building 17, office and public complex of Greenwood JSC, 69th km of MKAD, Putilkovo settlement, Krasnogorsky District, Moscow Region, 143441, Russian Federation.

The Bank's principal place of business is Moscow, Russian Federation.

The average number of people employed in 2020 was 152 (2019: 156 employees).

2 Business environment

Russian banking sector in 2020 demonstrated generally very high growth rates.

However, due to the problems of the Russian economy caused by the coronavirus pandemic, the growth rates of a number of important indicators changed as compared to the same period of the previous year. Regulatory easing introduced by the Bank of Russia in the spring of 2020 had a significant impact on the performance of banks.

According to the Bank of Russia, bank assets increased by 12.5%, considering the effect of currency revaluation, and amounted to RUB 103.8 trillion in 2020.

The high rate of asset increase in 2020 is largely related to economic support measures due to the coronavirus, along with debt financing of the budget deficit.

The retail lending growth rate slowed down significantly in 2020. In January-November, real retail lending growth was 12.8%. For comparison, in the first 11 months of 2019 and 2018 the growth was 17.4% and 20.9%, respectively.

The slowdown was mainly caused by a downturn in unsecured consumer lending, where the highest risks are concentrated. At the same time, the largest increase in issuance occurred in March, which is associated with an increase in demand before the lockdown. In April and May, there was a decline in retail lending, which is mainly due to the imposed isolation measures and restrictions on the work of bank branches. After the peak of the crisis, the banks intensified issuance of retail loans, an active increase in retail loan portfolios occurred in July-October

Mortgages remain the main growth driver of the retail loan portfolio, both because of the popularity of preferential programs, and because of the general decrease in rates.

Corporate lending in 2020, on the contrary, was increasing very rapidly. According to statistics, the bank loan portfolio to legal entities increased by 9.2% in January-November against the increase of 5% in the same period in the previous year. On a sliding 12-month period, corporate lending increased by 10.1% in real terms against 5% as at 1 December 2019. The increase in corporate lending was related to business support measures due to the coronavirus, along with a decrease in economy interest rates following the decrease in the key rate.

The passive base of the Russian banking sector in 2020 demonstrated a fairly high real growth rate in corporate clients' funds and a moderate increase in individuals' deposits. The volume of funds in corporate accounts increased by 11% in real terms over 11 months, while the increase in individual deposits amounted to +2.1%. In contrast, individual deposits increased faster than corporate funds in 2019 (6% vs 3.5%). Thus, the banking system this year has seen the substitution of individuals' funds with corporate funds. The low increase rate of individual deposits can be attributed to two factors. First, during the coronavirus pandemic, due to remote work and restrictions, many people encountered a decrease in their incomes. Second, due to the decrease in interest rates on deposits, the population is actively looking for alternative ways to save money (life insurance, stock market, real estate, and other ways).

The liquidity situation in the banking sector has deteriorated significantly; according to the Bank of Russia, the structural surplus of ruble liquidity decreased to RUB 0.2 trillion by the end of the year. This is primarily due to the increased cash issuance. In the midst of the crisis, Russians stocked up on cash for the lockdown and possible financial uncertainty periods.

The volume of highly liquid ruble assets amounted to RUB 15.3 trillion at the end of the year. A significant part of it is attributed to market assets on the security of which banks can obtain funds from the Bank of Russia, if necessary. The volume of highly liquid foreign currency assets of the country's banking system amounted to USD 46.7 billion, which is sufficient to cover 15% of all liabilities in foreign currency.

Despite the coronavirus, the banking sector's profit in 2020 was quite high and amounted to RUB 1.6 trillion, which is comparable to the 2019 result (RUB 1.5 trillion). However, 2019 profits were partly recognized as a consequence of banks' application of IFRS 9 adjustments, so the banking sector overall financial result for 2020 is quite favorable. Losses at the end of 2020 was reported by 75 banks. At the same time, the share of profitable banks' assets is 98% of the banking system total assets, i.e. small banks were mostly unprofitable.

Overall, the Russian banking sector demonstrated sharp fluctuations in the values of a number of important performance indicators in 2020. This was caused by extremely difficult working conditions of banks and their clients during the lockdown period.

However, the Russian banking sector, even in the most acute period of the economic crisis caused by the COVID-19 pandemic, continued to provide settlements and all kinds of banking services to both businesses and individuals in very challenging conditions. This achievement was undoubtedly the result of both the hard work of bankers and a very prompt response to the crisis by the Bank of Russia.

An important feature of the 2020 economic crisis was the Bank of Russia's soft interest rate policy. While in the previous major crises of 2008 and 2014 the regulator sharply increased the key rate, in the summer of 2020 the Bank of Russia, on the contrary, decreased the key rate to a historically low level of 4.25% per annum. This decision provided significant support to the economy.

The key rate is the main indicator of monetary policy and the main instrument of the Central Bank, determining the cost of loans. The lower the rate, the more affordable the borrowing, especially for small and medium businesses. Cheap credit resources contribute to increased economic activity. After the pandemic, the Russian economy critically lacks support. With available cash, the government is trying to trigger economic growth.

The incentive interest rate policy will make it cheaper to service the national debt, provide an opportunity to refinance loans for businesses and citizens, and spur mortgage programs.

By the end of 2020, inflation surged increasing to 5.2% in January 2021. The higher inflation rate was largely due to the transfer of the ruble's weakening and increasing prices on world commodity markets, and also due to an increase in food prices.

In terms of global markets, the pandemic and the associated restrictions have affected the entire global economy, but with different intensity and different budget implications. The most significant is the zeroing or moving into negative territory of official interest rates in developed economies and their radical decrease in developing economies. This helped to stabilize financial markets fairly quickly and enabled the build-up of public debt needed for economic support programs and compensation for those affected by lockdowns in the world’s key economies.

The relative stabilization of the largest economies and China's withdrawal from lockdown restrictions have improved the external background for the Russian economy — oil prices have recovered from their annual lows, and if the OPEC agreements are implemented, there is a high probability that they will reach levels sufficient to implement the “budgetary rule”.

Trade volumes with China are recovering. Chinese exporters are already actively trying to expand business, while in many other countries businesses are still constrained by lockdown restrictions. The increase in trade volumes with China due to its rapid recovery from the pandemic could lead to a significant increase in the share of trade with the PRC in Russia's foreign trade portfolio.

Given the rapidly changing macroeconomic situation, along with the impact of the COVID-19 pandemic on financial markets, the Bank's Management takes all necessary and appropriate measures to maintain the Bank's economic sustainability in the current environment.

To ensure the business continuity and also to maintain uninterrupted operation of the Bank and its staff, at the beginning of 2020, the Bank's Management decided to transfer the employees to a shift work mode. Despite this fact and the difficult economic conditions in which the Bank operated, at the end of 2020 the Bank achieved a positive financial result.

3 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

These financial statements are prepared on the historical cost basis except that financial instruments are stated at fair value.

Functional and presentation currency

Financial statements are presented in the national currency of the Russian Federation (Russian Rouble), which is the Bank’s functional currency and presentation currency for the purposes of these financial statements. Unless otherwise indicated, the financial statements are presented in thousands of Russian Roubles.

Use of estimates and judgments

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 4;
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.

4 Accounting policies

The applied accounting policies are consistent with those applied in the prior financial year.

Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- he gross carrying amount of the financial asset; or

- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments that are not credit-impaired assets at initial recognition the Bank assesses future cash flows taking into account all contractual terms of this financial instrument but without considering expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected loss allowance.

Calculation of interest income and expenses

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that became credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross carrying value basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation of information

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the remainder of the contract.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Financial assets and liabilities

Classification of financial instruments

Upon initial recognition, financial assets are classified as measured either at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- on specified dates contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- on specified dates contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income calculated using the effective interest method;
- expected credit losses (ECL) and their reversal; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered by the Bank includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Bank will consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Changes in the amount of cash flows related to existing financial assets or liabilities are not treated as modification if they arise from the current terms of the agreement, for example, changes of interest rates due to the change of the key rate by the CBRF, if the related loan agreement permits the Bank to change interest rates.

The Bank performs quantitative and qualitative assessment of whether the modification is significant, i.e. whether cash flows related to the original financial asset differ significantly from the modified or new financial asset. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. Similarly, in performing this assessment the Bank acts in line with the requirements with regard to the derecognition of financial liabilities.

The Bank concludes that a modification is significant based on the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of the terms of a financial asset that leads to non-compliance with the SPPI criterion.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In such case the Bank recalculates the gross carrying amount of the financial asset and recognises the amount of the gross carrying amount adjustment as profit or loss on modification in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such modification is caused by a financial distress of the borrower, the related profit or loss is presented in impairment losses. In other cases, the related profit or loss is presented in interest income calculated using the effective interest method.

For loans with terms permitting the borrower to early repay the loan at face value and with no significant penalties a change of the interest rate to the market level in response to a change in market conditions is accounted for similarly to the accounting treatment for instruments with variable interest rate, i.e. the interest rate is revised prospectively.

As part of its credit risk management the Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities'). If the Bank plans to modify a financial asset in a way that would result in forgiveness of part of the existing contractual cash flows, then a portion of the asset is written off before the assessment as to whether the modification of terms was significant. As a result, the amount of remaining contractual cash flows related to the original financial asset that are still recognised upon modification is likely to be equal to the amount of new modified contractual cash flows. If, based on the results of a quantitative assessment, the Bank concludes that the modification of financial assets conducted as part of the forbearance policy is not significant, the Bank conducts a qualitative assessment as to whether this modification is significant.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Bank applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Bank recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

The Bank performs quantitative and qualitative assessment of whether modification is material analysing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. The Bank concludes that a modification is significant based on the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Impairment

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantees issued;
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime expected credit losses ("lifetime ECLs") are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments which are not purchased or originated credit-impaired assets for which lifetime ECL are recognised are referred to as "Stage 2" financial instruments (in case credit risk on the financial instrument has increased significantly since initial recognition and the financial instrument is not credit-impaired) and "Stage 3" financial instruments (in case financial instrument is credit-impaired).

Measurement of ECL

ECLs are a default probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- for financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantees: the present value of the expected payments to reimburse the holder's credit losses less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised, and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in the calculation of cash shortfalls under the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Definition of default

Under IFRS 9, the Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

Quantitative criteria:

- the probability of default calculated as at the current date exceeds 50%;
- past due payments on principal and/or interest of more than 90 days (inclusive).

Qualitative criteria:

- significant financial difficulties (insolvency) of the borrower;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

Under IFSR 9, when determining whether the credit risk (i.e. the risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank first identifies whether a significant increase in credit risk has occurred for an exposure by comparing, among other things, the following:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For some renewable credit arrangements, such as credit cards and overdrafts, the contract date may be very long-standing. A change in the contractual terms of the financial instrument, as discussed below, may also have an impact on this estimate.

The Bank has developed a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly vary by portfolio and include a backstop based on delinquency.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired;
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

An increase in credit risk is defined as material if one or more of the following factors are identified:

Quantitative criteria:

- internal/external rating decreased by more than two grades (inclusive);
- the probability of default calculated as at the current date exceeds 20%;
- past due payments on principal and/or interest of more than 30 days (inclusive) and less than 90 days.

Qualitative criteria:

- significant increase in credit risk on other instruments of the same borrower;
- availability of information on past due loan payments at other credit institutions;
- the actual or expected significant changes in the borrower's operating performance, such as a decrease in revenue or margins, increase in operating risks, inefficiency of working capital, impairment of the quality of assets, increase in the balance leverage, liquidity, problems related to the management or change in the size of the business or organisational structure (for example, ceased operations of a business segment), which lead to a significant change in the ability of the borrower to meet its debt obligations;
- the actual or expected adverse changes in the borrower's regulatory, economic or technological environment, which results in a significant change in the borrower's ability to meet its debt obligations, for example, a reduction in demand for a product sold by the borrower due to a change in technology;
- significant changes in the cost of collateral provided by third parties, which may reduce the economic incentive for the borrower to make the scheduled payments stipulated by the contract or otherwise affect the probability of default;
- significant changes, such as a reduction in financial support from the parent entity or another affiliate, or an actual or expected change in the quality of the credit quality enhancements, which are expected to reduce the economic incentive for the borrower to make the scheduled payments stipulated by the contract;
- breach of the contractual terms (covenant) that were not previously agreed with ICBC Bank (JSC) and documented;
- the actual or expected restructuring of the financial instrument related to the borrower's insolvency.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves analysis of the following data:

- Data obtained as a result of a regular analysis of information about borrowers – for example, audited financial statements, management statements, budgets, forecasts and plans;
- Payment discipline and overdue status;
- Information provided by credit rating agencies, mass media, changes in external credit ratings;
- Requests for and granting of forbearance;
- Quoted bond and credit default swap (CDS) prices for the borrower where available;
- Existing and forecast changes in business, financial and economic conditions;

- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Credit risk grades

The Bank will allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Bank will use these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure will be allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth.

For exposures to specific industries and/or regions, the analysis extends to relevant commodity and/or real estate prices.

Credit-impaired financial assets

At each reporting date the Bank assesses financial assets carried at amortised cost and debt financial assets carried at FVOCI for credit impairment. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making the assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market’s assessment of creditworthiness as reflected in the bond yields.
- The rating agencies’ assessments of creditworthiness.
- The country’s ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those

mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Amounts of loss allowance for expected credit losses are presented in the statement of financial position in the following way:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantees: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the expected credit loss allowance is disclosed and recognised in the revaluation reserve for changes in fair value.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the Bank can continue to perform activities to collect a loan with regard to written-off financial assets in accordance with the amounts due recovery policy.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank uses expert judgment in assessment of forward-looking information.

The Bank periodically performs stress-testing of more extreme shocks to calibrate its determination of other representative scenarios.

Measurement of ECL

The key inputs into the measurement of ECLs are the term structures of the following variables:

• probability of default (PD);

• loss given default (LGD);

• exposure at default (EAD).

These parameters are usually derived from internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used by the Bank to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn and potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets, for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, in respect of overdrafts that include both the loan and the undrawn component of the liability assumed, the Bank assesses the expected credit losses during the period exceeding the maximum contractual period, if the Bank's contractual ability to demand the repayment of the loan and to cancel the liability assumed in respect of undrawn funds does not limit the Bank's exposure to the risk of credit losses to the contractual deadline for submitting the notice. These lending instruments do not have a fixed term or payment schedule and are managed on a group basis. The right of the Bank to terminate the contract with immediate effect stipulated by the contract is not exercised by the Bank as part of its normal risk management activities, but only when the Bank becomes aware of an increase in credit risk at the level of the entire lending arrangement. This longer period is assessed based on the credit risk management measures expected to be taken to mitigate expected credit losses. These include the reduction of limits, the cancellation of the loan instrument agreement and/or the transformation of the remaining contract to a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grades;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

Loans and advances to customers

Loans and advances to customers caption in the statement of financial position includes:

- loans to customers measured at amortised cost (Note 13); they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective interest method;
- loans to customers mandatorily measured at FVTPL due to the non-conformance with SPPI criterion or designated by the entity as at fair value through profit or loss; these are measured at fair value with changes recognised immediately in profit or loss; and
- lease receivables.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide a loan on pre-agreed terms and on time.

Financial guarantees issued or commitments to provide loans at a below-market interest rate are initially measured at fair value, with their initial fair value being amortised over the life of such guarantee or commitment. Subsequently, they are measured at the higher of the amortised amount initially recognised and the loss allowance amount.

The Bank has no loan commitments that are measured at FVTPL.

The Bank recognises a loss allowance for other loan commitments.

Financial liabilities arising from financial guarantees issued are included in provisions.

Investment securities

Based on the business model and cash flow characteristics, the Bank classifies investments in debt securities at amortised cost or at fair value through other comprehensive income. Debt securities are stated at amortised cost if held to obtain contractual cash flows, these cash flows are solely payments of principal and interest and are not designated to be measured at fair value through profit or loss in order to significantly reduce the accounting mismatch.

Debt securities are recognised at FVOCI if held to obtain contractual cash flows and for sale, are solely payments of principal and interest, and are not measured at fair value through profit or loss. Interest income on these assets is calculated using the effective interest method and is recognised in profit or loss. The impairment allowance based on the expected credit loss model is recognised in profit or loss for the year. All other changes in carrying amount are included in other comprehensive income. Upon derecognition of a debt security, comprehensive income or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBR and other banks. The mandatory reserve deposits with the CBR are not considered to be a cash equivalent due to restrictions on their withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Amounts due from financial institutions

Funds with other banks include non-derivative financial assets with fixed payments that are not quoted on the active market provided by the Bank to counterparty banks (including the Bank of Russia), except for:

- overnight placements;
- those that the Bank intends to sell immediately or in the near future and which should be classified as held for trading, and those that, after initial recognition, are designated by the Bank to be measured at fair value through profit or loss;
- those that after initial recognition are designated as available-for-sale;
- those for that the holder will not be able to cover the entire material amount of its initial investment for reasons other than a reduction in creditworthiness, and which should be classified as available-for-sale.

In the Amounts due from financial institutions line of the statement of financial position, the Bank records loans issued and deposits placed with other credit institutions and financial institutions, as well as balances on correspondent nostro accounts that are not cash equivalents.

Amounts due from financial institutions are stated at amortised cost. The amortised cost is based on the fair value of the amount of the loan issued or the deposit placed, calculated taking into account the established interest rates on similar loans and deposits in effect at the date of the loan issuance or deposit placement.

The difference between the fair value and the nominal value of a loan (deposit) arising from the issuance of loans (placement of deposits) at interest rates above or below the established rates is shown in the statement of profit or loss and other comprehensive income at the time of issuance of such loan (placement of a deposit) in Income (expenses) from assets placed at rates above (below) market rates. Subsequently, the carrying amount of these loans (deposits) is adjusted for amortisation of this income/(expense) and interest income is recognised in the statement of profit or loss and other comprehensive income using the effective interest method.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired for sale in the short term. Derivatives with a positive fair value are also designated as financial assets at fair value through profit or loss, unless they are derivatives designated as an effective hedging instrument.

Initially and subsequently, financial assets measured at fair value through profit or loss are recognised at fair value, which is calculated either on the basis of market quotes or using different valuation methods, assuming the possibility of future sale of these financial assets. Depending on the circumstances, different valuation techniques may apply. Published active market price quotes are the best inputs for determining the fair value of the instrument.

In the absence of an active market, techniques are used that include information on recent market transactions between knowledgeable, willing parties independent of each other, the current fair value of another, largely identical instrument, discounted cash flow analysis and option pricing models. If there is a valuation technique widely used by market participants to determine the price of the instrument and has proved the reliability of valuations of price values obtained from actual market transactions, this technique is used.

Realised and unrealised income and expenses on financial assets measured at fair value through profit or loss are recognised in the statement of profit and loss for the period in which they arose, in income net of expenses on transactions with financial assets measured at fair value through profit or loss.

The purchase and sale of financial assets measured at fair value through profit or loss, which must be delivered within the timeframe established by law or convention for the given market (purchase and sale under “standard contracts”), is recorded on the date of conclusion of the transaction, i.e. on the date when the Bank undertakes to buy or sell the asset.

In all other cases such transactions are recognised as derivative financial instruments until the settlement date.

The Bank classifies financial assets at fair value through profit or loss into the respective category at the time of acquisition. Financial assets classified in this category are not reclassified.

Sale (purchase) of securities with a repurchase (resale) obligation, security loans

The transactions of sale of securities with the obligation to repurchase them (“repo”) are considered to be transactions to raise funds for collaterisation of securities.

Transactions involving the purchase of securities with the obligation to resell them (“reverse repo”) are considered to be transactions involving the provision of funds for collaterisation of securities.

Securities acquired under reverse repo transactions are not recognised in the balance sheet.

The difference between the purchase price of a security and the price of reverse repo is recognised as interest income and accrued during the entire term of the repurchase transaction, using the effective interest method.

Securities provided by the Bank as a loan to counterparties continue to be recognised as securities in the Bank’s financial statements.

Securities received as a loan are not recorded in the financial statements. If these securities are sold to third parties, the financial result of the purchase and sale of these securities is recognised in the statement of profit or loss and other comprehensive income in Income less expenses from transactions with financial assets measured at fair value through profit or loss.

The liability to return these securities is recognised at fair value as held for trading in Financial liabilities measured at fair value through profit or loss.

Fair value measurement principles

Fair value is the amount at which an asset can be exchanged or a liability can be settled in a transaction between knowledgeable, willing and independent parties. Fair value is a measurement based on market data, rather than an entity-specific measurement. Financial instruments are considered to be quoted on the active market if their quotations are regularly determined and information thereon is available on the stock exchange through information and analytical systems or other information sources, and if these prices reflect actual and regular market transactions performed by independent market participants.

Fair value of financial instruments quoted on the active market is determined based on:

- exchange market quotations (market prices), usually for financial instruments circulating through trading organisers;
- Bid prices for financial assets and ask prices for financial liabilities, as well as the estimated fair value determined based on data from information and analytical systems (for example, Reuters and Bloomberg), market dealers and other sources.

In the absence of current quotations in the active market, the following information may be used to determine fair value:

- the last quotation (bid (ask) price) according to external independent sources, if there was no material change in economic conditions from the moment of its determination to the reporting date;
- the actual price of the transaction concluded by the Bank under standard terms, if no material change in economic conditions took place from the time of its conclusion to the reporting date.

In the event of a material change in economic conditions, this last quotation (transaction price) should be adjusted for changes in the quotation (transaction price) for similar financial instruments. Debt securities may be subject to adjustment of the indicated last quotation (transaction price) taking into account changes in the maturity of the debt security.

The determination of fair value is based on the going concern assumption of an entity that has no intention or need to be liquidated, significantly curtail its operations or conclude transactions under unfavourable terms. Thus, the fair value is not equivalent to the amount received by the Bank as a result of the performance of a forced transaction, forced liquidation or sale of property for repayment of debts.

Valuation techniques such as discounted cash flow model and analysis of financial information on investees are used to determine the fair value of financial instruments for which information on market prices (quotations) is not available from external sources. If there is a valuation technique for a financial instrument widely used by market participants that confirms that the valuations are consistent with the prices derived from actual market transactions, this valuation technique may be used to determine the price of the instrument.

The valuation technique used may be selected for each specific case of determining fair value, and unless otherwise justified, valuation techniques based on exchange market prices and quoted bid and ask prices are used. Determination of the fair value of financial instruments for which information on market prices (quotations) is not available from external sources depends on various factors, circumstances and requires professional judgment.

The Bank classifies information used in determining the fair value of a financial instrument depending on the significance of the inputs used in valuations as follows:

- current prices (quotations) of the active market for financial instruments identical to the financial instrument being measured (level 1);
- in the absence of information on current prices (quotations) — the price of the most recent transaction concluded on the active market, if there were no material changes in economic conditions from the moment of its conclusion to the end of the reporting period, and current prices (quotations) on comparable financial instruments, if the conditions have changed since the transaction, as well as information based on data observed on the market (level 2);
- prices calculated using valuation techniques for which inputs are not based on observable market data (level 3).

Foreign currency revaluation

Transactions in foreign currencies are recorded at the official exchange rate of the Bank of Russia effective on the day of the transaction. Foreign exchange differences arising from settlements on transactions in foreign currencies are included in the statement of profit or loss and other comprehensive income at the official exchange rate of the Bank of Russia effective on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated to the currency of the Russian Federation at the official exchange rate of the Bank of Russia as at the balance sheet date.

Foreign exchange differences related to debt securities and other monetary financial assets stated at fair value are included in income and expenses from the revaluation of foreign currency.

Foreign exchange differences related to non-monetary items, such as equity securities classified as financial assets at fair value through profit or loss, are recognised as part of income or expenses from revaluation at fair value.

Foreign exchange differences for non-monetary financial assets measured at amortised cost and at fair value through other comprehensive income are allocated to equity through the revaluation reserve for available-for-sale financial assets.

As at 31 December 2020, the official exchange rate of the Bank of Russia used to revalue foreign currency balances was as follows:

USD	73.8757
EUR	90.6824
CNY	11.3119

Derivative financial instruments

Derivatives, including currency exchange contracts, interest-rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options, and other derivatives, are initially stated at fair value (typically the acquisition cost, including transaction costs) and are revalued at fair value.

Fair value is calculated based on quoted market prices, cash flow discounting models, option pricing models or year-end spot rates depending on the transaction type. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are allocated to income less expenses from foreign currency transactions, income less expenses from transactions with financial assets measured at fair value through profit and loss, and income less expenses from transactions with precious metals, depending on the type of transaction.

The Bank does not conclude transactions that are defined as hedged in IFRS 9 *Financial Instruments: Recognition and Measurement*.

Property and equipment and intangible assets

Where the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and the difference is recognised in the statement of profit or loss. In this case, the positive revaluation is eliminated first, and any additional loss is allocated to the profit and loss account. Impairment losses recognised for property and equipment in previous years are reversed if there has been a change in the estimates used to determine the recoverable amount of property and equipment. The estimated recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use.

Property and equipment are reviewed by the Bank at each reporting date to determine whether there is any indication of impairment. If such indicators exist, the Bank assesses the recoverable amount, which is the higher of the net cost to sale of property and equipment and the value resulting from their use.

Gains and losses arising from the disposal of property and equipment are determined on the basis of their carrying amount and are taken into account when calculating the amount of profit (loss). Repair and maintenance costs are recorded in the statement of profit or loss and other comprehensive income as incurred.

Intangible assets are initially measured at the acquisition cost. Subsequent to initial recognition, they are stated at the acquisition cost less accumulated amortisation and accumulated impairment losses.

Depreciation

Depreciation of items of property and equipment is calculated using the straight-line method, i.e. by evenly reducing their initial cost to the net book value over the following estimated useful lives.

The depreciation method applied to the asset should be revised at least once at the end of each financial year. Each material change in the approach to asset depreciation will be reflected in the use of the its depreciation method. This change will be accounted for as a change in accounting estimates in accordance with IAS 8 *Accounting Policy, Changes in Accounting Estimates and Errors.*

Depreciation is recognised even if the fair value of the asset exceeds its carrying amount, provided that the residual value of the asset does not exceed its carrying amount. Repair and maintenance of an asset does not eliminate the need to depreciate it.

Depreciation of an asset begins when it becomes available for use, i.e. when the location and condition of the asset ensure its use in accordance with the Bank’s intentions. Depreciation of an asset ceases upon its derecognition.

Intangible assets

Intangible assets include identifiable non-monetary assets without physical form. Intangible assets acquired separately are measured on initial recognition at the acquisition cost.

The acquisition cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at the acquisition cost less accumulated amortisation and any accumulated impairment losses.

The useful life of an intangible asset is either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life, which is from 5 to 10 years, and are analysed for impairment if any indicators of possible impairment exist. The useful life and amortisation methods of intangible assets with definite useful lives are analysed at least once per year, at the end of each reporting year.

Changes in the expected useful life or expected pattern of use of a particular asset and the consumption of future economic benefits are recognised by means of changing the useful life or amortisation method (depending on the situation) and are considered to be changes in accounting estimates. Amortisation charges for intangible assets with definite useful lives are recognised in the statement of profit or loss and other comprehensive income in operating expenses.

Intangible assets with indefinite useful lives are not amortised. At the same time, they are analysed annually for impairment either individually or at the level of the unit generating cash flows. The useful life of an intangible asset with indefinite useful lives is analysed to determine whether there are any circumstances confirming the correctness of the existing valuation of the useful life of the asset. Otherwise, the useful life is changed prospectively from indefinite to definite.

Costs related to the use of the software are included in expenses as incurred. Costs directly attributable to identifiable software that is controlled by the Bank and is highly likely to generate economic benefits exceeding the costs over a period exceeding one year are recognised as an intangible asset.

Direct costs include the maintenance of the software development team and an appropriate proportion of general expenses. Expenses that lead to an improvement or expansion of the characteristics of the software compared to its original specifications are recognised as capital expenses and are added to the initial cost of the software. Software development costs recognised as assets are amortised using the straight-line method over their useful lives using the amortisation rates.

Lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases – i.e. it applied IFRS 16 to all contracts entered into after 1 January 2019 that were previously identified as leases under IAS 17 and IFRIC 4. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component.

As a lessee

The Bank leases a number of assets, including real estate items and vehicles. As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Bank has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Bank presents right-of-use assets that do not meet the definition of investment property in Property and equipment, the same line item as it presents underlying assets of the same nature that it owns. The Bank presents lease liabilities in *Other liabilities* in the statement of financial position.

Significant accounting policies

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Bank has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

As a lessor

The Bank does not lease out any investment property, including right-of-use assets. The accounting policies applicable to the Bank as a lessor are not different from those under IAS 17.

Trade and other payables

Trade payables are recognised by the Bank when the counterparty has fulfilled its obligations and are carried at amortised cost.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Share capital

The share capital is stated at historical cost adjusted to the equivalent of the purchasing power of the Russian Rouble as at 31 December 2002 for contributions to the share capital made before 1 January 2003. Costs directly attributable to the issue of new shares are recognised as a reduction in shareholder equity.

Income tax

The financial statements show expenses on taxes in accordance with the requirements of the legislation of the Russian Federation.

Income tax expense (benefit) in the statement of profit or loss for the year includes current taxes and changes in deferred taxes. Current taxes are calculated on the basis of expected taxable profit for the year using income tax rates in effect at the balance sheet date. Tax expenses other than on income tax are recorded in administrative and other operating expenses.

Deferred income tax is calculated on the basis of the balance sheet asset and liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are determined using the tax rates expected to be applied in the period when the assets are realised and the liabilities are settled based on the tax rates that were established in the period or actually established at the reporting date.

Deferred taxes arising from revaluation at fair value of available-for-sale financial assets, with the allocation of this revaluation to an increase or decrease in equity, is also directly attributable to equity. When these financial assets are realised, the corresponding deferred tax amounts are recognised in the statement of profit or loss and other comprehensive income. The carrying amount of the deferred tax asset is revised at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which part or all of those deferred tax assets can be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available against which those deferred tax assets can be utilised. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxation authority.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised where the Bank has liabilities (legal or constructive) as a result of a past event, and it is highly probable that an outflow of economic resources will be required to settle the liabilities, and a reliable estimate of the amount of the liabilities can be made.

Salary and wages and related payments

Expenses related to the accrual of salary and wages, bonuses, vacation payments, insurance contributions to state extra-budgetary funds are incurred as the Bank's employees perform the corresponding work, and expenses related to the accrual of temporary disability, child care allowances and non-monetary benefits are incurred as they occur.

The Bank undertakes obligations on payments related to unused vacations to the Bank employees. Such liabilities are recognised in the statement of financial position in Other liabilities and provisions, with the simultaneous recognition in the statement of profit or loss and other comprehensive income in respect of vacations for the reporting period and in retained earnings in respect of vacations for periods preceding the reporting period.

(Thousands of Russian Roubles)

Related party transactions

The Bank concludes transactions with related parties. The parties are deemed to be related if one of them has the ability to control the other one, is under common control with the other party, is under joint control of the other party and the third party, or may have a material influence in making financial and operational decisions by the other party.

In considering related party relationships, the Bank takes into account the economic substance of the relationship, not merely the legal form.

Standards issued but not yet adopted

The Bank has not adopted the following new and revised IFRSs issued and not yet effective:

New or revised standard or interpretation
IFRS 17 *Insurance Contracts*;
Amendment to IFRS 16 *COVID-19-Related Rent Concessions*;
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*;
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 *Interest Rate Benchmark Reform — Phase 2*;
Amendment to IFRS 3 *Business Combinations*;
Amendments to IAS 16 *Property, Plant and Equipment*.

5 Interest income and expense

Interest income and interest expenses comprise:

	2020	**2019**
Interest income calculated using the effective interest rate method	**2,301,018**	**2,395,902**
Loans to customers	978,405	1,196,023
Amounts due from financial institutions	824,585	653,289
Investment securities	432,995	491,429
Factoring transactions	65,033	55,161
Other interest income		
Financial assets measured at FVTPL	19,552	22,980
Total interest income	**2,320,570**	**2,418,882**
Interest expense		
Amounts due to customers	(605,937)	(520,839)
Amounts due to financial institutions	(394,791)	(760,102)
Lease liabilities	(11,602)	(10,765)
Total interest expense on financial liabilities not measured at FVTPL	**(1,012,330)**	**(1,291,706)**
Total interest expense	**(1,012,330)**	**(1,291,706)**
Net interest income	**1,308,240**	**1,127,176**

(Thousands of Russian Roubles)

6 Fee and commission income

Fee and commission income comprise:

	2020	2019
Settlement transactions	67,569	65,478
Guarantees issued	25,084	23,696
Other fee and commission income	5,772	9,637
Cash transactions	187	313
Total fee and commission income	**98,612**	**99,124**

7 Operating expenses

Administrative and other operating expenses comprise:

	2020	2019
Personnel expenses	743,351	640,586
Depreciation	100,098	85,450
Taxes and duties, except for income tax	26,821	27,732
Professional services	25,146	19,899
Expenses on property and equipment (maintenance, repairs, and sale)	22,013	26,678
Communications	19,807	24,646
Expenses on the intellectual property licence	19,282	22,289
Security	9,700	9,600
Write-offs of inventories	8,878	8,580
Other operating expenses	5,218	568
Insurance	3,686	5,806
Organisational and administrative expenses	2,232	3,238
Lease expenses	1,499	3,678
Charity	1,024	-
Travel expenses	600	8,079
Other	145	818
Total administrative and other operating expenses	**989,500**	**887,647**

Personnel expenses comprise:

	2020	2019
Personnel expenses		
Salaries and bonuses	672,982	570,618
Payroll related contributions to non-budget funds	69,250	65,821
Other payments to personnel	1,119	4,147
Total personnel expenses	**743,351**	**640,586**

(Thousands of Russian Roubles)

8 Income tax

Income tax includes the following components:

	2020	2019
Current income tax expense	(198,562)	(279,631)
Changes in deferred taxes due to origination and reversal of temporary differences	(14,386)	67,066
Income tax expense	**(212,948)**	**(212,565)**

The income tax rate applicable to the majority of the Bank's income for 2020 is 20% (2019: 20%).

A reconciliation between the theoretical and the actual income tax expense is provided below.

	2020		2019	
Profit before income tax	1,077,565		1,153,547	
Theoretical income tax expense at 20% rate	(215.513)	20%	(230,709)	20%
Income subject to a special tax rate	23,231	(2%)	26,539	(2%)
Other	(20,666)	2%	(8,395)	0%
Income tax expense	**(212,948)**	20%	**(212,565)**	18%

Differences between IFRS and statutory taxation regulations in the Russian Federation (and other countries) give rise to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. Tax effect of changes in temporary differences for 2020 and 2019 is presented at 20% rate (2019: 20%), except for income on state securities which is taxed at 15% (2019: 15%).

Changes in temporary differences during 2020 and 2019 are presented as follows.

2020	Balance as at 1 January 2020	Recognised in profit or loss	Balance as at 31 December 2020
Cash and cash equivalents	11	63	74
Amounts due from financial institutions	2,154	87	2,241
Loans and advances to customers	1,365	(11,154)	(9,789)
Property and equipment	(5,577)	(54,607)	(60,184)
Investment securities	24,569	(29,535)	(4,966)
Other assets	294	4,401	4,695
Other liabilities and provisions	27,215	76,359	103,574
Net deferred tax asset (liability)	**50,031**	**(14,386)**	**35,645**

(Thousands of Russian Roubles)

2019	**Balance as at 1 January 2019**	**Recognised in profit or loss**	**Balance as at 31 December 2019**
Cash and cash equivalents	34	(23)	11
Amounts due from financial institutions	1,986	168	2,154
Loans and advances to customers	(30,925)	32,290	1,365
Property and equipment	(655)	(4,922)	(5,577)
Investment securities	17,965	6,604	24,569
Other assets	713	(419)	294
Other liabilities and provisions	(6,153)	33,368	27,215
Net deferred tax asset (liability)	**(17,035)**	**67,066**	**50,031**

Net deferred tax asset is an amount of income tax which can be offset against future income taxes and are is presented as deferred tax asset in the statement of financial position. Deferred tax asset arising from tax losses carried forward to future periods is recognised to the extent that it is probable that the related tax benefit will be realised. As at 31 December 2020, the Bank recognised deferred tax asset in the amount of RUB 35,645 thousand) (31 December 2019: the Bank recognised deferred tax liability in the amount of RUB 50,031 thousand).

9 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year less treasury shares.

The Bank has no dilutive potential ordinary shares. Therefore, diluted earnings per share equal basic earnings per share.

	2020	**2019**
Profit attributable to shareholders – owners of ordinary shares	864,617	940,982
Profit for the year	**864,617**	**940,982**
Weighted average number of ordinary shares outstanding	432,380	432,380
Diluted earnings per ordinary share	**2.00**	**2.18**

10 Dividends

	2020	**2019**
	Ordinary shares	**Ordinary shares**
Dividends payable as at 1 January	-	-
Dividends declared during the year	1,176,742	719,966
Dividends paid during the year	(1,176,742)	(719,966)
Dividends payable as at 31 December	-	-

All dividends are declared and paid in the currency of the Russian Federation in the amount of RUB 2.72 thousand per share (2019: RUB 1.67 thousand per share).

(Thousands of Russian Roubles)

11 Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	**42,393**	**62,532**
Nostro accounts with the CBR	**2,419,559**	**2,948,963**
Nostro accounts with other banks		
- rated from AA-	7,060	-
- rated from A- to A+	13,594,713	2,452,978
- rated from BBB- to BBB+	3,176,773	2,218,252
Total nostro accounts with other banks	**16,778,546**	**4,671,230**
Total cash and cash equivalents before allowance for expected credit losses	**19,240,498**	**7,682,725**
Allowance for expected credit losses	(371)	(53)
Total cash and cash equivalents	**19,240,127**	**7,682,672**

'Nostro accounts with other banks' comprise cash balances placed in foreign banks primarily related to the ICBC Group.

As at 31 December 2020, the Bank has three clients, except for the Bank of Russia, with balances on correspondent accounts exceeding 10% of 'Cash and cash equivalents' (31 December 2019: two clients, except for the Bank of Russia, with balances on correspondent accounts exceeding 10% of 'Cash and cash equivalents'). The gross value of the balances of these clients equals to RUB 16,731,085 thousand or 86.96% of 'Cash and cash equivalents' (2019: RUB 4,178,437 thousand or 54.39% of 'Cash and cash equivalents').

The movements in allowance for expected credit losses on cash and cash equivalents are as follows:

	2020	2019
	12-month expected credit losses	12-month expected credit losses
Allowance for expected credit losses at the beginning of the period	**(53)**	**(170)**
(Charge) recovery of allowance	(318)	117
Allowance for expected credit losses at the end of the period	**(371)**	**(53)**

As at 31 December 2020, the Bank's cash and cash equivalents were included in Stage 1 of credit quality and were not overdue (31 December 2019: Stage 1 and not overdue).

Analysis of cash and cash equivalents by geographical regions, currency, maturity and analysis of interest rates are disclosed in Note 22.

12 Amounts due from financial institutions

Amounts due from financial institutions comprise loans (deposits) provided to counterparties by the Bank and financial assets measured at fair value.

The following table provides information on the credit quality of amounts due from financial institutions as at 31 December 2020:

	Term interbank loans and deposits	Security deposit of the payment system operator with the Bank of Russia	Other placements with financial institutions	Total amounts due from financial institutions
Deposits with the CBR	16,001,835			**16,001,835**
Amounts due from financial institutions measured at amortised cost				
- rated from BBB- to BBB+	7,253,634	816,998	78,936	8,149,568

(Thousands of Russian Roubles)

	Term interbank loans and deposits	Security deposit of the payment system operator with the Bank of Russia	Other place-ments with financial institutions	Total amounts due from finan-cial institutions
- rated from BB- to BB+	1,401,392	-	4,143,993	5,545,385
Total amounts due from financial institutions before allowance for expected credit losses	**24,656,861**	**816,998**	**4,222,929**	**29,696,788**
Allowance for expected credit losses	(4,662)	-	(6,544)	(11,206)
Total amounts due from financial institutions measured at amortised cost	**24,652,199**	**816,998**	**4,216,385**	**29,685,582**
Amounts due from financial institutions measured at FVTPL				
- rated from BBB- to BBB+	621,228	-	-	621,228
Total amounts due from financial institutions measured at FVTPL	**621,228**	**-**	**-**	**621,228**

The following table provides information on the credit quality of amounts due from financial institutions as at 31 December 2019:

	Term interbank loans and deposits	Security deposit of the payment system operator with the Bank of Russia	Other place-ments with financial institutions	Total amounts due from finan-cial institutions
Amounts due from financial institutions measured at amortised cost				
- rated from BBB- to BBB+	9,836,915	816,998	1,193,057	**11,846,970**
- rated from BB- to BB+	7,641,630	-	328,252	**7,969,882**
Total amounts due from financial institutions before allowance for expected credit losses	**17,478,545**	**816,998**	**1,521,309**	**19,816,852**
Allowance for expected credit losses	(10,772)	-	-	**(10,772)**
Total amounts due from financial institutions measured at amortised cost	**17,467,773**	**816,998**	**1,521,309**	**19,806,080**
Amounts due from financial institutions measured at FVTPL				
- rated from BBB- to BBB+	783,509	-	-	783,509
Total amounts due from financial institutions measured at FVTPL	**783,509**	**-**	**-**	**783,509**

Information on significant balances of cash and cash equivalents held by the Bank but not available for use

As at 31 December 2020, the amount of significant balances not available for use was RUB 816,998 thousand - security deposit of the payment system operator (31 December 2019: RUB 816,998 thousand). The Bank is an operator of the ICBC payment system. Within this payment system, the Bank made quarterly payments of security deposit to the Bank of Russia. These funds are excluded from 'Cash and cash equivalents' as the Bank has restrictions on their use in accordance with Article 82.5 of Federal Law No. 86-FZ dated 10 July 2002 "On the Central Bank of the Russian Federation (Bank of Russia)".

"Term interbank loans and deposits" comprises the amounts due from the Russian banks on letters of credit on post-financing transactions and rights of claim. As at 31 December 2020, these funds amounted to RUB 494,687 thousand

(Thousands of Russian Roubles)

(31 December 2019: RUB 1,167,418 thousand). “Other placements with financial institutions” comprises outstanding balances under the stock exchange settlement transactions in the amount of RUB 34,689 thousand (31 December 2019: RUB 25 639 thousand).

The movements in allowance for expected credit losses on amounts due from financial institutions are as follows:

	2020		2019	
	12-month ECL	**Total**	**12-month ECL**	**Total**
Allowance for expected credit losses at the beginning of the period	**(10,772)**	**(10,772)**	**(10,117)**	**(10,117)**
Charge of allowance	(434)	**(434)**	(655)	**(655)**
Allowance for expected credit losses at the end of the period	**(11,206)**	**(11,206)**	**(10,772)**	**(10,772)**

As at 31 December 2020, all amounts due from financial institutions were included in Stage 1 of credit quality and were not overdue (as at 31 December 2019: Stage 1 and not overdue).

As at 31 December 2020, the Bank has two counterparties, except for the Bank of Russia, with balances individually exceeding 10% of ‘Amounts due from financial institutions’ (31 December 2019: five counterparties). The gross value of the balances of these counterparties equals to RUB 6,268,508 thousand or 43.82% of ‘Amounts due from financial institutions’ (2019: RUB 12,957,191 thousand or 62.93% of ‘Amounts due from financial institutions’).

Analysis of amounts due from financial institutions by interest rates, maturity and geographical regions is disclosed in Note 22. Information on related party transactions is disclosed in Note 26. Information on the fair value of amounts due from financial institutions is disclosed in Note 25.

13 Loans and advances to customers

	31 December 2020	31 December 2019
Loans to legal entities	***19,645,095***	***22,156,373***
External credit risk rating:		
- rated from BBB- to BBB+	3,158,800	2,293,452
- rated from BB- to BB+	11,213,614	10,979,168
Internal credit risk rating:		
- rated from AA- to AA+	3,574,619	6,229,079
- rated from A- to A+	1,680,908	44,027
- rated from BBB- to BBB+	-	2,594,507
- not rated	17,154	16,140
Loans to individuals	***90***	***204***
Total loans and advances to customers before allowance for expected credit losses	**19,645,185**	**22,156,577**
Allowance for expected credit losses	(106,889)	(176,724)
Total loans and advances to customers	**19,538,296**	**21,979,853**

As at 31 December 2020, the Bank has five counterparties with balances individually exceeding 10% of ‘Loans and advances to customers’ (31 December 2019: two counterparties). Total balances of these counterparties equals to RUB 14,136,830 thousand or 72.35% of ‘Loans and advances to customers’ (2019: RUB 5,184,602 thousand or 23.59% of ‘Loans and advances to customers’).

The Bank's customers are mostly presented by major Russian corporations.

(Thousands of Russian Roubles)

The table below shows industry concentration of the loans and advances to customers:

	31 December 2020		**31 December 2019**	
	Amount	**%**	**Amount**	**%**
Oil and chemicals	9,477,654	48,24%	11,072,833	49.98%
Communications	3,817,136	19,43%	-	0.00%
Metallurgical production	2,937,719	14,95%	3,770,817	17.02%
Forest and timber industry	1,387,080	7,06%	5,606,140	25.30%
Investment and financial activities	1,205,796	6,14%	1,247,673	5.63%
Transport	775,934	3,95%	398,743	1.80%
Trade and services	26,622	0,14%	44,027	0.20%
Other	17,154	0,09%	16,140	0.07%
Individuals	90	0,00%	204	0.00%
Total loans and advances to customers before allowance for expected credit losses	**19,645,185**	**100.00%**	**22,156,577**	**100.00%**
Allowance for expected credit losses	(106,889)		(176,724)	
Total loans and advances to customers	**19,538,296**		**21,979,853**	

Reclassification of comparative information

During 2020, the Bank revised the classification of certain corporate borrowers by economic sectors. Comparative information has been reclassified to conform to changes in presentation of interim condensed financial statements in the current period. The effect of the above changes on the presentation as at 31 December 2019 is shown below:

Loans to corporate customers	**Before reclassifica-tion**	**Effect of reclassifi-cation**	**After classification**
Oil and chemicals	13,341,642	(2,268,809)	11,072,833
Metallurgical production	1,502,008	2,268,809	3,770,817

The following table provides information on the collateral as at 31 December 2020:

	Loans to legal entities	**Loans to individuals**	**Total loans and advances to customers**
Unsecured claims	18,587,125	90	**18,587,215**
Secured loans:			
Property	1,057,970	-	**1,057,970**
Total loans and advances to customers before allowance for expected credit losses	**19,645,095**	**90**	**19,645,185**

The following table provides information on the collateral as at 31 December 2019:

	Loans to legal entities	**Loans to individuals**	**Total loans and advances to customers**
Unsecured claims	20,974,271	204	**20,974,475**
Secured loans:			
Property	1,182,102	-	**1,182,102**
Total loans and advances to customers before allowance for expected credit losses	**22,156,373**	**204**	**22,156,577**

The tables above exclude overcollateralisation.

(Thousands of Russian Roubles)

As at 31 December 2020 and 31 December 2019, the Bank did not have any loans for which expected credit losses were not recognised due to existence of collateral.

The following table shows reconciliation of the opening and the closing balances of allowance for expected credit losses on loans to customers measured at amortised cost.

	2020			2019		
Loans to customers	**12-month expected credit losses (ECL)**	**Lifetime ECLs for assets that are not credit-impaired**	**Total**	**12-month expected credit losses (ECL)**	**Lifetime ECLs for assets that are not credit-impaired**	**Total**
Balance as at 1 January	(176,724)	-	**(176,724)**	(216,721)	-	**(216,721)**
Transfer to Stage 2	3 153	(3,153)	-	-	-	-
Net change in loss allowance	(2,481)	(24,989)	**(27,470)**	99,327	-	**99,327**
New financial assets originated or purchased	(22,866)	-	**(22,866)**	(81,477)	-	**(81,477)**
Fully repaid loans	136,610	-	**136,610**	11,246	-	**11,246**
Foreign exchange and other changes	(7,778)	(8,661)	**(16,439)**	10,901	-	**10,901**
Balance as at 31 December	(70,086)	(36,803)	**(106,889)**	(176,724)	-	**(176,724)**

As at 31 December 2020 the loan portfolio of the Bank is in Stage 1 (as at 31 December 2019: Stage 1), except for one borrower, which was transferred from Stage 1 to Stage 2 during 2020. The gross book value of loans in Stage 1 is RUB 17,990,900 thousand, in Stage 2 - RUB 1,654,285 thousand.

The amount of allowances for expected credit losses for the borrower transferred to Stage 2 as at 31 December 2020 amounted to RUB 36,803 thousand.

As at 31 December 2020, the Bank had no overdue loans and advances to customers (as at 31 December 2019: stage 1 and not overdue).

Explanations of how significant changes in gross carrying amount of financial instruments during the year contributed to change in allowance for expected credit losses are presented below:

- Repayment of loans by corporate customers in the amount of RUB 25,443 million during the year contributed to recovery of ECL in the amount of RUB 137 million;
- Issue of loans to corporate customers in the amount of RUB 6,435 million during the year contributed to increase of ECL by RUB 23 million;
- Transfer of a loan to Stage 2 in the amount of RUB 1,519 million during the year led to the charge of ECL in the amount of RUB 34 million.

Key assumptions and judgements in determining the expected credit losses on loans to customers are disclosed in Notes 4 and 22. Changes in these estimates could affect the allowance for expected credit losses.

As at 31 December 2020, an increase/decrease in the net present value of expected cash flows on loans by one percent would result in a decrease/increase in the allowance for expected credit losses on loans to customers by RUB 195,383 thousand (31 December 2019: RUB 219,799 thousand).

As at 31 December 2020, the Bank assessed the loan portfolio taking into account the impact of industry, operational and interest rate risks Analysis of loans and advances to customers by interest rates, maturity and geographical regions is disclosed in Note 22. Information on related party transactions is disclosed in Note 26. Information on the fair value of loans and advances to customers is disclosed in Note 25.

14 Investment securities

	31 December 2020	**31 December 2019**
Debt securities		
Bonds of Russian Government and the Bank of Russia	**6,825,598**	**7,651,654**
- rated BBB-	6,825,598	7,651,654
Regional and municipal bonds	**1,006,120**	**1,005,700**
- rated BBB-	1,006,120	1,005,700
Bonds of foreign credit institutions	**2,292,902**	**444,798**

(Thousands of Russian Roubles)

	31 December 2020	31 December 2019
- rated from A- to A+ -	2,292,902	444,798
Total investment securities before allowance for expected credit losses	**10,124,620**	**9,102,152**
Allowance for expected credit losses	(18,072)	(3,537)
Total investment securities	**10,106,548**	**9,098,615**

During 2020, the Bank has not invested funds in investment securities on non-market terms.

Movements in allowance for expected credit losses on investment securities were as follows:

	2020	2019
	12-month ECLs	12-month ECLs
Allowance for expected credit losses at the beginning of the period	**(3,537)**	**(9,978)**
Recovery (charge) of allowance	(14,535)	6,441
Allowance for expected credit losses at the end of the period	**(18,072)**	**(3,537)**

As at 31 December 2020, all investment securities were included in Stage 1 of credit quality and are not overdue (31 December 2018: Stage 1 and not overdue).

Information on the fair value of investment securities is disclosed in Note 25.

15 Property and equipment and intangible assets

The following table provides information on property and equipment and intangible assets for 2020:

	Office equipment	Intangible assets	Other	Right-of-use assets	Total property and equipment and intangible assets
Carrying amount as at 1 January 2020	**34,689**	**37,528**	**8,028**	**30,638**	**110,883**
Cost					
Cost as at 1 January	99,700	51,557	15,213	86,817	**253,287**
Additions	6,709	2,163	21	353,433	**362,326**
Disposals	-	(125)	-	-	**(125)**
Cost (or estimate) as at 31 December 2020	**106,409**	**53,595**	**15,234**	**440,250**	**615,488**
Accumulated depreciation					
Accumulated depreciation as at 1 January	(65,011)	(14,029)	(7,185)	(56,179)	**(142,404)**
Depreciation charge	(27,474)	(5,242)	(1,797)	(65,585)	**(100,098)**
Disposals	-	125	-	-	**125**
Accumulated depreciation as at 31 December 2020	(92,485)	(19,146)	(8,982)	(121,764)	**(242,377)**
Carrying amount as at 31 December 2020	**13,924**	**34,449**	**6,252**	**318,486**	**373,111**

(Thousands of Russian Roubles)

The following table provides information on property and equipment and intangible assets for 2019:

	Office equipment	Intangible assets	Other	Right-of-use assets	Total property and equipment and intangible assets
Carrying amount as at 31 December 2018	**53,462**	**43,386**	**10,739**	**-**	**107,587**
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	86,935	**86,935**
Carrying amount as at 1 January 2019	**53,462**	**43,386**	**10,739**	**86,935**	**194,522**
Cost					
Cost as at 1 January	105,667	51,941	15,332	86,935	**259,875**
Additions	3,133	83	-	-	**3,216**
Disposals	(9,100)	(467)	(119)	(118)	**(9,804)**
Cost (or estimate) as at 31 December 2019	**99,700**	**51,557**	**15,213**	**86,817**	**253,287**
Accumulated depreciation					
Accumulated depreciation as at 1 January	(52,205)	(8,555)	(4,593)	-	**(65,353)**
Depreciation charge	(20,800)	(5,835)	(2,592)	(56,223)	**(85,450)**
Disposals	7,994	361	-	44	**8,399**
Accumulated depreciation as at 31 December 2019	(65,011)	(14,029)	(7,185)	(56,179)	**(142,404)**
Carrying amount as at 31 December 2019	**34,689**	**37,528**	**8,028**	**30,638**	**110,883**

Lease payments during 2020 in the amount of RUB 77,413 thousand are recognised in Cash Flow Statement in the amount of RUB 60,779 thousand within the line ‘Repayment of lease liabilities’ and RUB 16,634 thousand within the line “Interest paid”.

16 Other assets

	31 December 2020	31 December 2019
Other financial assets		
Transfers and settlements in progress	79,670	-
Claims to customers for commission fee payment	1,903	4,255
Total other financial assets before allowance for expected credit losses	**81,573**	**4,255**
Allowance for expected credit losses	(3)	(1)
Total other financial assets	**81,570**	**4,254**

Other non-financial assets		
Deferred tax asset	50,651	58,825
Other	35,645	50,031
Current taxes	4,428	1,670
Total other non-financial assets before allowance for impairment	651	843
Allowance for impairment	**91,375**	**111,369**

(Thousands of Russian Roubles)

	31 December 2020	31 December 2019
Total other non-financial assets	-	(246)
Total other non-financial assets	**91,375**	**111,123**
Total other assets	**172,945**	**115,377**

The movements in allowance for expected credit losses on other financial assets are as follows:

	2020	2019
	12-month ECLs	12-month ECLs
Allowance for expected credit losses at the beginning of the period	**(1)**	**(1)**
Charge of allowance	(2)	-
Allowance for expected credit losses at the end of the period	**(3)**	**(1)**

The movements in allowance for impairment of other non-financial assets are as follows:

	2020	2019
Allowance for impairment at the beginning of the period	**(246)**	**(277)**
Recovery of allowance	246	31
Allowance for impairment at the end of the period	**-**	**(246)**

As at 31 December 2020 and 31 December 2019, the Bank had:

- other financial assets were included in Stage 1 of credit quality and were not overdue (31 December 2019: Stage 1 and not overdue).
- other non-financial assets in the amount of RUB 135,400 thousand were not overdue (31 December 2019: other non-financial assets in the amount of RUB 88,919 thousand were not overdue, assets in the amount of RUB 246 thousand were overdue with provision for impairment of 100%).

Analysis of other assets by interest rates, maturity and geographical regions is disclosed in Note 22. Information on related party transactions is disclosed in Note 26.

17 Amounts due to financial institutions

	31 December 2020	31 December 2019
Correspondent accounts and overnight deposits of other banks	17,378,129	7,973,302
Term loans and deposits of other banks	4,534,119	8,713,163
Total amounts due to financial institutions	**21,912,248**	**16,686,465**

As at 31 December 2020, the Bank has three counterparties with balances individually exceeding 10% of ‘Amounts due to financial institutions’ (31 December 2019: two counterparties). Total balances of these counterparties equal to RUB 15,253,017 thousand or 69.61% of ‘Amounts due to financial institutions’ (2019: RUB 4,962,218 thousand or 29.74% of ‘Amounts due to financial institutions’).

Analysis of amounts due to financial institutions by interest rates, maturity and geographical regions is disclosed in Note 22. Information on related party transactions is disclosed in Note 26.

18 Amounts due to customers

	31 December 2020	31 December 2019
Amounts due to legal entities		
Term deposits	25,423,321	15,497,961
Current and settlement accounts	9,247,718	6,739,750
Other funds	167,885	270,106
Total amounts due to legal entities	**34,838,924**	**22,507,817**

(Thousands of Russian Roubles)

	31 December 2020	31 December 2019
Amounts due to individuals		
Current and demand accounts	29,461	23,407
Term deposits	10,902	16,722
Total amounts due to individuals	**40,363**	**40,129**
Other amounts due to customers		
Other customer accounts	591,973	278
Total other amounts due to customers	**591,973**	**278**
Total amounts due to customers	**35,471,260**	**22,548,224**

Over the period of its operation, the Bank client base has been quite stable, and represented by the Russian branches of Chinese commercial and state-owned companies. The Russian clients of the Bank include major energy providers as well as trade companies classified as "medium and small-scale business".

As at 31 December 2020, the Bank has one counterparties with balances individually exceeding 10% of 'Amounts due to customers' (31 December 2019: the Bank had two counterparties). Total balances of these counterparties is RUB 7,245,952 thousand or 20.43% of "Amounts due to customers" (2019: RUB 7,901,800 thousand or 35.04% of "Amounts due to customers").

19 Other liabilities and provisions

Other liabilities and provisions comprise both non-financial and financial liabilities:

	31 December 2020	31 December 2019
Other financial liabilities		
Pending settlements	757,897	-
Lease liabilities	319,785	30,791
Accounts payable	34,795	60,158
Other financial liabilities	28,216	31,694
Total other financial liabilities	**1,140,693**	**122,643**
Other non-financial liabilities		
Accrued expenses on personnel remuneration	174,062	118,060
Current income tax liabilities	81,553	25,306
Current tax liabilities other than income tax	20,800	21,901
Other provisions	11,933	1,182
Total other non-financial liabilities	**288,348**	**166,449**
Total other liabilities and provisions	**1,429,041**	**289,092**

The movements in other provisions are as follows:

	2020	2019
	12-month ECLs	**12-month ECLs**
Allowance for expected credit losses at the beginning of the period	**(1,182)**	**(3,286)**
(Charge) recovery of allowance	(10,751)	2,104
Allowance for expected credit losses at the end of the period	**(11,933)**	**(1,182)**

As at 31 December 2020, the Bank's credit related commitments were included in Stage 1 of credit quality (31 December 2019: Stage 1).

(Thousands of Russian Roubles)

20 Subordinated loans

The subordinated loan in the amount of RUB 8,904,058 thousand (2019: RUB 7,497,055 thousand) was formed by the loans received by the Bank from its parent company Industrial and Commercial Bank of China Limited.

The loan in the amount of USD 50 000 thousand was granted in October 2013, with a ten-year term and the maturity in 2023. The agreement stipulates a variable interest rate set on the basis of 6M Libor + 1.3%. According to the loan agreement, the subordinated debt is converted into common shares of the Bank in cases stated in the regulations of the Bank of Russia.

The loan in the amount of USD 70 000 thousand was granted in February 2018, with a fifteen-year term and the maturity in 2033. The agreement stipulates a variable interest rate set on the basis of 6M Libor + 1.3%. According to the loan agreement, the subordinated debt is converted into common shares of the Bank in cases stated in the regulations of the Bank of Russia.

21 Share capital

	Number of shares	Nominal value per share	Nominal value
31 December 2019	432,380	25	10,809,500
31 December 2020	432,380	25	10,809,500

In accordance with the Russian legislation, dividends may only be declared to the shareholder of the Bank from accumulated undistributed and retained earnings as shown in the financial statements prepared in accordance with Russian Accounting Rules, subject to the Bank's compliance with mandatory ratios established by the CBRF after such dividend payments. By Resolution of the Annual General Meeting of Shareholders No. 29 dated 29 June 2020, it was decided to pay dividends in the amount of RUB 1,176,742 thousand.

22 Risk management

One of the most important strategic goals of ICBC Bank (JSC) is to maintain a low level of bank risks acceptable to the Bank’s shareholder and creditors. In order to complete this task, the Bank has created a risk management system, which provides for a range of interconnected measures and steps in order to prevent and minimise losses of the Bank, which can be caused by risks inherent to bank operations.

The Risk and Capital Management Strategy has been developed and approved by the Board of Directors of ICBC Bank (JSC), which describes:

- the structure of management bodies and divisions performing functions related to risk and capital management;
- allocation of risk and capital management functions;
- organisation of control over the performance of internal capital adequacy assessment procedures by the Board of Directors and executive bodies (“ICAAP”);
- approaches to organising the risk management system;
- deadlines for planning volumes of transactions (deals) and capital;
- contents of ICAAP reporting;
- the procedure and frequency of notifying the Board of Directors of the identified shortcomings in the methodology of risk assessment and management, achievement of signal values, facts of exceeding established limits and actions taken to eliminate them;
- risk mitigation procedures based on information contained in ICAAP reporting, etc.

The objective of risk and capital management is:

- maintaining an acceptable level of risk limited by risk appetite;
- ensuring the adequacy of economic capital and regulatory capital to cover significant risks;
- compliance with the requirements of the Bank of Russia in terms of compliance with the requirements to the activities of credit institutions (ensuring the amount of regulatory capital of ICBC Bank (JSC) at a level not lower than that required by law, compliance with regulatory limits of banking activities, etc.);

- protecting the interests of ICBC Bank (JSC), its shareholder and its clients.

The objectives of the risk and capital management system are as follows:

- identification, assessment, aggregation of significant risks of ICBC Bank (JSC) and control over their level;
- ensuring efficient allocation of resources to optimise the risk-to-return ratio of transactions performed by ICBC Bank (JSC);
- assessing the adequacy of economic capital and regulatory capital to cover significant risks;
- planning of economic capital based on the results of a comprehensive assessment of significant risks, testing of stability of ICBC Bank (JSC) in relation to internal and external risk factors, benchmarks of the Bank's development strategy, capital adequacy requirements of the Bank of Russia;
- creation of a risk and capital management system at the stage of occurrence of a negative trend, as well as of a system of prompt and adequate response aimed at preventing the risks from reaching the levels critical for ICBC Bank (JSC) (risk mitigation).

In the process of risk and capital management, ICBC Bank (JSC) is governed by the following principles:

- a multi-level principle that identifies the levels of organisational structure involved in and/or affecting the risk management process;
- the completeness principle, which implies the interaction of all divisions of ICBC Bank (JSC) in the process of identifying and assessing bank risks by line of business;
- the principle of collective decision-making in the course of banking activities, provision of services (products), which provides for the requirement for collective decision-making in cases stipulated by internal regulations;
- the principle of information sufficiency of decision-making when managing risks, involving the collection, comprehensive analysis and provision to the management bodies of ICBC Bank (JSC) of information necessary for making a balanced, objective and timely decision;
- the updating principle, which involves updating risk management methodologies and procedures in accordance with changes in the business environment and internal structural changes, constant monitoring of the adequacy of the risk and capital management methodologies used and updating them in a timely manner.

At the same time the priority for the Bank is to ensure the maximum safety of assets and the capital on the basis of minimisation of susceptibility to risks which can lead to unexpected financial losses.

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

- identifying, measuring and determining an acceptable level of the aggregate bank risk;
- protecting the interests of the Bank and the Bank's clients;
- constant monitoring of the aggregate bank risk;
- taking measures to maintain the aggregate bank risk at the level not threatening financial stability of the Bank and interests of its creditors and depositors;
- compliance by all the Bank's employees with regulations and internal banking rules and regulatory documents.

The purpose of managing the Bank's aggregate bank risk is achieved using a systematic, comprehensive approach, which involves the following tasks:

- receipt of prompt and objective information on the state and size of all risks of the Bank affecting the level of the aggregate bank risk;
- qualitative and quantitative assessment (measurement) of the aggregate bank risk;
- establishing relationships between specific types of risks to assess the impact of measures planned to limit one type of risk on the growth or reduction of other risks;
- creation of a system for managing risks assumed by the Bank, as well as the aggregate bank risk at the stage of occurrence of a negative trend, as well as of a system of prompt and adequate response aimed at preventing the risks from reaching the levels critical for the Bank (risk mitigation).

The Bank is exposed to banking risks, i.e. the possibility of losses inherent to the banking activities arising from adverse events related to internal and/or external factors.

Taking into account the nature of the Bank's operations and their scale, as at 31 December 2020 ICBC Bank (JSC) identifies the following types of significant risks:

- credit risk is the risk arising from the probability of non-performance of contractual obligations by a borrower or a counterparty of ICBC Bank (JSC);
- market risk is the risk of incurring financial losses due to a change in the fair value of financial instruments, rates of foreign currencies and/or accounting prices of precious metals. Market risk includes equity risk, currency risk, trading book interest rate risk and commodity risk;
- liquidity risk is the risk of incurring losses due to the inability of ICBC Bank (JSC) to ensure the full performance of its obligations. Liquidity risk arises as a result of the unbalanced financial assets and financial liabilities of ICBC Bank (JSC) (including the late performance of financial obligations by one or more counterparties of ICBC Bank (JSC)), and/or the appearance of an unforeseen need for ICBC Bank (JSC) to perform its financial obligations immediately and on a one-time basis;
- concentration risk is the risk arising from the exposure of ICBC Bank (JSC) to major risks, the realisation of which could lead to significant losses that could create a threat to the solvency of the credit institution and its ability to continue as a going concern;
- trading book interest rate risk is the risk of deterioration of the financial position of ICBC Bank (JSC) as a result of a reduction in the amount of capital, the level of income, and the value of assets as a result of changes in interest rates on the market;
- operational risk is the risk of incurring losses as a result of the unreliability and deficiencies of the internal management procedures of ICBC Bank (JSC), failure of information and other systems, or impact of external events on the activities of ICBC Bank (JSC).

During 2020, there were no changes in the Bank's risk management procedures.

Credit risk

Credit risk is the risk that the Bank will incur losses as a result of the debtor's failure to perform its financial obligations, late or incomplete performance of its financial obligations to the Bank in accordance with the terms of the contract.

The purpose of credit risk management is to maintain the risk assumed by ICBC Bank (JSC) at a level that does not threaten its financial stability and the interests of its creditors and depositors. The priority is to ensure the maximum safety of assets and capital by reducing (eliminating) possible losses.

The purpose of managing the Bank's aggregate bank risk is achieved using a systematic, comprehensive approach, which involves the following tasks:

- receipt of prompt and objective information on the state and amount of credit risk;
- identification and analysis of credit risk arising in the course of operations of ICBC Bank (JSC);
- quantitative assessment (measurement) of credit risk;
- establishing relationships between specific types of risks to assess the impact of measures planned to limit one type of risk on the growth or reduction of other risks;
- determination of the level of risk of credit operations included in the loan portfolio of ICBC Bank (JSC);
- forecasting the risk level of the loan portfolio of ICBC Bank (JSC) with the aim of adopting adequate methods of its regulation;
- reducing the risk of the loan portfolio of ICBC Bank (JSC) and maintaining an acceptable ratio of profitability and risk indicators in the process of asset and liability management.

Credit risk is monitored by the Bank on a regular basis. Information on credit risk is communicated to the members of the Risk Committee at least once a quarter.

To comply with the IFRS 9 *Financial Instruments* requirements, the Bank has developed approaches to calculate expected credit losses.

Due to the unstable macroeconomic situation in 2020, the Bank decided to use a macro-adjustment in the amount of 40% to calculate expected credit losses.

The maximum exposure to credit risk in respect of financial assets is as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	19,197,734	7,620,140
Mandatory cash balances with the Central Bank of the Russian Federation	553,035	330,237
Amounts due from financial institutions	30,306,810	20,589,589
Loans and advances to customers	19,538,296	21,979,853
Investment securities	10,106,548	9,098,615
Other financial assets	1,900	4,254
Total maximum exposure to credit risk	**79,704,323**	**59,622,688**

Liquidity risk

Liquidity risk arises as a result of the unbalanced financial assets and financial liabilities of ICBC Bank (JSC) (including the late performance of financial obligations by one or more counterparties of ICBC Bank (JSC)), and/or the appearance of an unforeseen need for ICBC Bank (JSC) to perform its financial obligations immediately and on a one-time basis.

Liquidity risk assessment includes a set of measures to monitor the Bank’s compliance with mandatory N2, N3, N4 ratios, analysis of the dynamics of these amounts; monitoring of structural fluctuations in assets and liabilities, determination of gaps in the maturity of claims and liabilities with calculation of the corresponding indicators of the liquidity position (GAP analysis); and measures to forecast the Bank’s cash flows (daily preparation of the payment calendar). The Bank also performs stress tests of liquidity risk on a regular basis (biannually) in accordance with the scenarios developed by the Bank.

Liquidity is a fundamental factor in solvency. Liquidity risk is monitored on a daily basis by preparing current and forecast reports on asset and liability gaps by maturity.

In the case of unforeseen events, specifically in the event of a liquidity crisis, the Bank has developed an action plan aimed at restoring liquidity. In terms of priority measures in the event of a liquidity crisis, the events that may cause the Bank to lose liquidity are listed, and the Bank’s collegiate bodies are identified: the Risk Committee, the Management Board and/or the Asset and Liability Committee (“ALCO”), which ensure the adoption and implementation of measures to eliminate the liquidity crisis. The plan also establishes asset and liability management measures that make it possible to eliminate the liquidity crisis, on the basis of which the obligations and actions of the relevant employees and divisions of the Bank are formed.

The plan also contains a description of the external and internal factors of the liquidity crisis, a system of events, the onset of which characterises the appearance of the liquidity crisis and the determination of methods to overcome the liquidity crisis, with an indication of the list of measures, responsible divisions and a coordinator from the Management Board of the Bank for each of them.

As at 1 January 2021, the Bank had a sufficient reserve of liquid assets. The structure of Bank's asset and liability allocation along with the Bank's net liquidity position were maintained at a high level throughout the reporting period, no violations of the liquidity shortage limits set by the Bank were identified (the structure of the Bank's asset and liability allocation is presented in the table below, in RUB thousand).

(Thousands of Russian Roubles)

The carrying amount of assets and liabilities at expected maturity dates is presented in the table below as at 31 December 2020:

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Indefinite term**	**Overdue**	**Total**
ASSETS							
Cash and cash equivalents	19,240,127	-	-	-	-	-	**19,240,127**
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	553,035	-	**553,035**
Amounts due from financial institutions	23,257,483	5,435,080	332,959	464,290	816,998	-	**30,306,810**
Loans and advances to customers	3,924,457	1,397,298	2,324,620	11,891,921	-	-	**19,538,296**
Investment securities	-	125,680	1,275,735	8,705,133	-	-	**10,106,548**
Property and equipment and intangible assets	-	-	-	-	373,111	-	**373,111**
Other assets	171,045	1,900	-	-	-	-	**172,945**
Total assets	**46,593,112**	**6,959,958**	**3,933,314**	**21,061,344**	**1,743,144**	**-**	**80,290,872**
LIABILITIES							
Amounts due to financial institutions	21,912,248	-	-	-	-	-	**21,912,248**
Amounts due to customers	34,628,957	222,522	443,793	175,988	-	-	**35,471,260**
Other liabilities	1,057,544	32,051	37,492	301,954	-	-	**1,429,041**
Subordinated loans	-	-	-	8,904,058	-	-	**8,904,058**
Total liabilities	**57,598,749**	**254,573**	**481,285**	**9,382,000**	**-**	**-**	**67,716,607**
Net position at 31 December 2020	**(11,005,637)**	**6,705,385**	**3,452,029**	**11,679,344**	**1,743,144**	**-**	**12,574,265**
Cumulative net position as at 31 December 2020	**(11,005,637)**	**(4,300,252)**	**(848,223)**	**10,831,121**	**12,574,265**	**12,574,265**	

As at 31 December 2020 the Bank had sufficient liquid assets. The structure of the Bank's assets and liabilities distribution, as well as the Bank's net liquidity position, was maintained at a high level throughout the reporting period, and there were no breaches of the maximum limits on liquidity deficit established by the Bank.

(Thousands of Russian Roubles)

The carrying amount of assets and liabilities at expected maturity dates is presented in the table below as at 31 December 2019:

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Indefinite term**	**Overdue**	**Total**
ASSETS							
Cash and cash equivalents	7,682,672	-	-	-	-	-	**7,682,672**
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	330,237	-	**330,237**
Amounts due from financial institutions	15,233,218	3,381,431	380,449	777,493	816,998	-	**20,589,589**
Loans and advances to customers	137,554	3,613,202	4,954,523	13,274,574	-	-	**21,979,853**
Investment securities	6,829,156	13,577	442,904	1,812,978	-	-	**9,098,615**
Property and equipment and intangible assets	-	-	-	-	110,883	-	**110,883**
Other assets	115,377	-	-	-	-	-	**115,377**
Total assets	**29,997,977**	**7,008,210**	**5,777,876**	**15,865,045**	**1,258,118**	**-**	**59,907,226**
LIABILITIES							
Amounts due to financial institutions	15,893,819	792,646	-	-	-	-	**16,686,465**
Amounts due to customers	18,163,209	3,943,593	377,826	63,596	-	-	**22,548,224**
Other liabilities	289,092	-	-	-	-	-	**289,092**
Subordinated loans	-	-	-	7,497,055	-	-	**7,497,055**
Total liabilities	**34,346,120**	**4,736,239**	**377,826**	**7,560,651**	**-**	**-**	**47,020,836**
Net position at 31 December 2019	**(4,348,143)**	**2,271,971**	**5,400,050**	**8,304,394**	**1,258,118**	**-**	**12,886,390**
Cumulative net position as at 31 December 2019	**(4,348,143)**	**(2,076,172)**	**3,323,878**	**11,628,272**	**12,886,390**	**12,886,390**	

(Thousands of Russian Roubles)

The table below shows the breakdown of liabilities as at 31 December 2020 by their remaining contractual maturities: Amounts included in the table represent contractual non-discounted cash flows. Such non-discounted cash flows differ from the amounts included in the statement of financial position since balance sheet amounts are based on discounted cash flows.

As a rule, the difference with the carrying amount is represented by increased potential expenses on funds raised under the terms of contracts in effect as at the date of calculation, until the end of their realisation.

Where the amount payable is not fixed, the amount shown in the table is determined by reference to the conditions existing at the reporting date Payments in foreign currency are re-calculated using the exchange spot rate at the reporting date.

The table below provides an analysis of contractual undiscounted cash flows for financial liabilities and credit related commitments as at 31 December 2020:

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**	**Carrying amount**
LIABILITIES						
Amounts due to financial institutions	21,912,248	-	-	-	**21,912,248**	**21,912,248**
Amounts due to customers	34,660,965	223,678	451,834	193,544	**35,530,021**	**35,471,260**
Subordinated loans	-	70,498	69,603	9,930,243	**10,070,344**	**8,904,058**
Other financial liabilities	769,196	32,051	37,492	301,954	**1,140,693**	**1,140,693**
Total potential future payments for financial liabilities	**57,342,409**	**326,227**	**558,929**	**10,425,741**	**68,653,306**	**66,670,362**
Credit related commitments						
Undrawn loan commitments and overdraft limits	13,137,454	-	-	-	**13,137,454**	-
Guarantees issued	4,727,825	-	-	-	**4,727,825**	-
Other contingencies	2,549,353	-	-	-	**2,549,353**	-
Letters of credit	961,400	-	-	-	**961,400**	-
Total potential future payments	**78,718,441**	**326,227**	**558,929**	**10,425,741**	**90,029,338**	**66,670,362**

The table below provides an analysis of contractual undiscounted cash flows for financial liabilities and credit related commitments as at 31 December 2019:

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**	**Carrying amount**
LIABILITIES						
Amounts due to financial institutions	15,901,141	799,727	-	-	**16,700,868**	**16,686,465**
Amounts due to customers	18,178,005	3,957,770	386,060	66,714	**22,588,549**	**22,548,224**
Subordinated loans	-	-	-	9,787,423	**9,787,423**	**7,497,055**
Other financial liabilities	91,852	-	-	-	**91,852**	**91,852**
Total potential future payments for financial liabilities	**34,170,998**	**4,757,497**	**386,060**	**9,854,137**	**49,168,692**	**46,823,596**
Credit related commitments						
Undrawn loan commitments and overdraft limits	7,639,329	-	-	-	**7,639,329**	-
Guarantees issued	4,914,040	-	-	-	**4,914,040**	-
Other contingencies	2,718,527	-	-	-	**2,718,527**	-
Letters of credit	240,982	-	-	-	**240,982**	-
Total potential future payments	**49,683,876**	**4,757,497**	**386,060**	**9,854,137**	**64,681,570**	**46,823,596**

(Thousands of Russian Roubles)

Geographical risk

Assets and liabilities are generally classified according to the country of location of the counterparty. The following is a geographic analysis of the Bank's assets and liabilities as at 31 December 2020:

	Russian Federation	**OECD**	**China**	**Other countries**	**Total**
ASSETS					
Cash and cash equivalents	5,638,389	39,983	13,561,716	39	**19,240,127**
Mandatory reserves with the Central Bank of the Russian Federation	553,035	-	-	-	**553,035**
Amounts due from financial institutions	29,685,582	-	-	-	**29,685,582**
Loans and advances to customers	19,391,309	-	-	146,987	**19,538,296**
Investment securities	7,814,555	-	2,291,993	-	**10,106,548**
Property and equipment and intangible assets	373,111	-	-	-	**373,111**
Other assets	170,813	156	1,720	256	**172,945**
Total assets	**63,626,794**	**40,139**	**15,855,429**	**147,282**	**79,669,644**
LIABILITIES					
Amounts due to financial institutions	13,025,515	6,083	8,859,585	21,065	**21,912,248**
Amounts due to customers	26,849,325	1,758	1,363,199	7,256,978	**35,471,260**
Subordinated loans	-	-	8,904,058	-	**8,904,058**
Other liabilities and provisions	1,396,013	685	4,753	27,590	**1,429,041**
Total liabilities	**41,270,853**	**8,526**	**19,131,595**	**7,305,633**	**67,716,607**
Net position	**22,355,941**	**31,613**	**(3,276,166)**	**(7,158,351)**	**11,953,037**

The following is a geographic analysis of the Bank's assets and liabilities as at 31 December 2019:

	Russian Federation	**OECD**	**China**	**Other countries**	**Total**
ASSETS					
Cash and cash equivalents	3,013,979	152,560	4,516,133	-	**7,682,672**
Mandatory reserves with the Central Bank of the Russian Federation	330,237	-	-	-	**330,237**
Amounts due from financial institutions	18,815,583	-	1,774,006	-	**20,589,589**
Loans and advances to customers	19,423,750	2,490,808	-	65,295	**21,979,853**
Investment securities	8,653,950	-	444,665	-	**9,098,615**
Property and equipment and intangible assets	110,883	-	-	-	**110,883**
Other assets	112,475	1,255	-	1,647	**115,377**
Total assets	**50,460,857**	**2,644,623**	**6,734,804**	**66,942**	**59,907,226**
LIABILITIES					
Amounts due to financial institutions	14,566,221	793	2,119,172	279	**16,686,465**
Amounts due to customers	21,010,670	1,344	1,523,683	12,527	**22,548,224**
Subordinated loans	-	-	7,497,055	-	**7,497,055**
Other liabilities and provisions	256,094	276	2,438	30,284	**289,092**
Total liabilities	**35,832,985**	**2,413**	**11,142,348**	**43,090**	**47,020,836**
Net position	**14,627,872**	**2,642,210**	**(4,407,544)**	**23,852**	**12,886,390**

Market risk

The Bank is exposed to market risk, which is the risk of financial losses or impairment of assets as a result of unfavourable changes in market prices (foreign exchange rates, precious metals prices, interest rates). The Bank sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

During 2020 the Risk Management Service regularly monitored market risk as a whole and its individual components.

Market risk is divided into:

- interest rate risk;
- equity risk;
- currency risk;
- commodity risk.

As at 31 December 2020 the Bank had no equity risk, commodity risk and trading book interest rate risk due to the absence of assets on the Bank’s balance sheet exposed to these types of risks.

To control and manage market risk, the Bank adopted the Regulation "On the organization of market risk management" (approved by the Board of Directors, Minutes No. 12-16 dd 28.12.2016) and other internal documents regulating the procedure for transactions exposed to market risk (stock, interest, currency), set limits for market risk level indicators and the limit of the aggregate level of market risk.

The Bank manages market risk by setting open position limits in relation to the size of the portfolio for certain financial instruments, the terms of interest rate changes, the currency position, loss limits, and by conducting regular monitoring of compliance with these limits, the results of which are reviewed and approved by the Risk Committee on a monthly basis and by the Board of Directors on a quarterly basis.

The Bank also uses Value-at-Risk (VAR) methodology to manage market risk on its trading positions.

Interest rate risk

The Bank assumes the risk related to effect of market interest rates fluctuations on the financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

The Bank is exposed to interest rate risk mainly as a result of its lending activities at fixed interest rates in amounts and for a term that differ from the amounts and terms for raising funds at fixed interest rates.

The purpose of managing this type of market risk is to reduce the effect of changes in interest rates on net interest income. In order to manage interest rate risk, the Bank’s Interest Rate Policy and Limits Committee establishes the maximum interest rates for attracting funds of legal entities, as well as the minimum rates for placing resources in loans to legal entities, and the minimum return on investments in securities. Interest rates on deposits and loans of individuals generally depend on the maturity of the loan or deposit, its amount and the category of the client.

The Bank uses the following main methods to manage interest rate risk:

- aligning the maturities of assets and liabilities;
- GAP analysis method.

As at 31 December 2020, the Bank had no interest rate risk from the trading book due to the absence of assets exposed to this type of risk on the Bank's balance sheet.

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

Below is an analysis of the Bank’s interest rate risk as at 31 December 2020. The table shows the assets and liabilities exposed to interest rate risk grouped into different time ranges of the category according to the contractual date of interest rate revision.

(Thousands of Russian Roubles)

Below is an analysis of the Bank's interest rate risk as at 31 December 2020:

Financial instruments subject to interest rate risk	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
ASSETS					
Amounts due from financial institutions, including measured at fair value	23,208,962	5,422,925	332,528	464,383	**29,428,798**
Loans and advances to customers	13,224,953	6,363,554	-	-	**19,588,507**
Investment securities	-	125,680	1,277,678	8,721,262	**10,124,620**
Other financial assets	-	1,900	-	-	**1,900**
Total financial assets	**36,433,915**	**11,914,059**	**1,610,206**	**9,185,645**	**59,143,825**
LIABILITIES					
Amounts due to financial institutions	4,534,119	-	-	-	**4,534,119**
Amounts due to customers	24,730,238	222,168	443,489	165,385	**25,561,280**
Subordinated loans	-	8,865,084	-	-	**8,865,084**
Other financial liabilities	11,299	32,051	37,492	301,954	**382,796**
Total financial liabilities	**29,275,656**	**9,119,303**	**480,981**	**467,339**	**39,343,279**
Absolute GAP	7,158,259	2,794,756	1,129,225	8,718,306	
Sensitivity to interest rate risk	**68,618**	**19,783**	**2,823**		**91,224**

Below is an analysis of the Bank's interest rate risk as at 31 December 2019:

Financial instruments subject to interest rate risk	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
ASSETS					
Amounts due from financial institutions, including measured at fair value	15,163,193	3,351,760	-	778,278	**19,293,231**
Loans and advances to customers	9,136,138	12,574,713	381,502	-	**22,092,353**
Investment securities	6,829,579	748,557	442,969	1,081,047	**9,102,152**
Other financial assets	4,254	-	-	-	**4,254**
Total financial assets	**31,133,164**	**16,675,030**	**824,471**	**1,859,325**	**50,491,990**
LIABILITIES					
Amounts due to financial institutions	7,900,950	778,420	-	-	**8,679,370**
Amounts due to customers	11,228,828	3,884,179	377,826	-	**15,490,833**
Subordinated loans	-	7,428,684	-	-	**7,428,684**
Other financial liabilities	41,108	49,808	936	-	**91,852**
Total financial liabilities	**19,170,886**	**12,141,091**	**378,762**	**-**	**31,690,739**
Absolute GAP	11,962,278	4,533,939	445,709	1,859,325	
Sensitivity to interest rate risk	**114,638**	**32,115**	**1,114**		**147,868**

Sensitivity to interest rate changes is the effect of the parallel shift of all yield curves by 100 basis points on the amount of net interest income for one year.

The analysis of the interest rate risk based on the above tables is performed with respect to the amount of absolute gap obtained at the end of the year. As at 31 December 2020, an increase of 100 basis points in interest rates would have increased net interest income by RUB 91,224 thousand, and a decrease in the interest rate would have reduced net interest income by RUB 91,224 thousand (31 December 2019: an increase of 100 basis points in interest rates would have increased net interest income by RUB 147,868 thousand, and a decrease in the interest rate would have reduced net interest income by RUB 147,868 thousand).

(Thousands of Russian Roubles)

Currency risk

The Bank is exposed to currency risk, which is the risk of losses due to unfavourable changes in the exchange rates of foreign currencies on open positions in foreign currencies.

The Bank sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the exposure to foreign currency exchange rate risk of the Bank as at 31 December 2020:

	RUB	**USD**	**EUR**	**CNY**	**HKD**	**SGD**	**Total**
ASSETS							
Cash and cash equivalents	2,433,155	3,615,893	508,575	12,674,166	7,061	1,277	**19,240,127**
Mandatory cash balances with the Central Bank of the Russian Federation	553,035	-	-	-	-	-	**553,035**
Amounts due from financial institutions	25,518,282	4,281,604	-	497,357	9,567	-	**30,306,810**
Loans and advances to customers	5,885,535	7,478,023	6,164,066	10,672	-	-	**19,538,296**
Investment securities	7,813,647	-	-	2,292,901	-	-	**10,106,548**
Property and equipment and intangible assets	341,476	31,635	-	-	-	-	**373,111**
Other assets	87,155	1,961	1,739	82,090	-	-	**172,945**
Total assets	**42,632,285**	**15,409,116**	**6,674,380**	**15,557,186**	**16,628**	**1,277**	**80,290,872**
LIABILITIES							
Amounts due to financial institutions	3,197,435	102,884	5,534,358	13,060,074	16,323	1,174	**21,912,248**
Amounts due to customers	27,151,274	6,308,011	282,655	1,729,075	245	-	**35,471,260**
Subordinated loans	-	8,904,058	-	-	-	-	**8,904,058**
Other liabilities and provisions	616,606	31,057	22,499	758,879	-	-	**1,429,041**
Total liabilities	**30,965,315**	**15,346,010**	**5,839,512**	**15,548,028**	**16,568**	**1,174**	**67,716,607**
Net position	**11,666,970**	**63,106**	**834,868**	**9,158**	**60**	**103**	**12,574,265**

(Thousands of Russian Roubles)

The table below summarises the exposure to foreign currency exchange rate risk of the Bank as at 31 December 2019:

	RUB	**USD**	**EUR**	**CNY**	**HKD**	**SGD**	**Total**
ASSETS							
Cash and cash equivalents	2,975,748	408,876	70,316	4,216,956	10,040	736	**7,682,672**
Mandatory cash balances with the Central Bank of the Russian Federation	330,237	-	-	-	-	-	**330,237**
Amounts due from financial institutions	14,129,845	4,354,456	-	2,101,313	3,975	-	**20,589,589**
Loans and advances to customers	4,054,857	12,936,011	4,985,039	3,946	-	-	**21,979,853**
Investment securities	8,653,950	-	-	444,665	-	-	**9,098,615**
Property and equipment and intangible assets	105,539	5,344	-	-	-	-	**110,883**
Other assets	109,618	2,086	195	3,478	-	-	**115,377**
Total assets	**30,359,794**	**17,706,773**	**5,055,550**	**6,770,358**	**14,015**	**736**	**59,907,226**
LIABILITIES							
Amounts due to financial institutions	5,247,342	1,645,869	4,609,019	5,169,865	13,667	703	**16,686,465**
Amounts due to customers	13,217,735	7,447,957	412,801	1,469,596	135	-	**22,548,224**
Subordinated loans	-	7,497,055	-	-	-	-	**7,497,055**
Other liabilities and provisions	199,816	37,917	18,942	32,386	31	-	**289,092**
Total liabilities	**18,664,893**	**16,628,798**	**5,040,762**	**6,671,847**	**13,833**	**703**	**47,020,836**
Net position	**11,694,901**	**1,077,975**	**14,788**	**98,511**	**182**	**33**	**12,886,390**

In order to control currency risk, the Bank monitored its open currency position on a daily basis throughout 2019 and analysed the impact of this type of risk on the capital and financial result of ICBC Bank (JSC).

According to the internal currency risk assessment model, the value at risk (VAR) with a probability of 99% for 1 day as at 31 December 2020 was RUB 21.06 million, and the value at risk in the range of 5 days was RUB 47.10 million (2019: the value at risk (VAR) with a probability of 99% for 1 day as at 31 December 2019 was RUB 14.41 million, and the value at risk in the range of 5 days was RUB 32.23 million).

Market risk is regularly monitored by the Bank. Information on the state of market risk is communicated to the members of the Board of Directors at least once a quarter and to the members of the Risk Committee at least once a month.

Operational risk

Operational risk is the risk of losses due to inappropriateness of internal regulations and procedures for conducting banking operations and other transactions to the nature and scope of the Bank's business and/or the requirements of current legislation, their violation by employees of the Bank and/or other persons (as a result of incompetence, unintentional or deliberate actions or inaction), inadequacy (insufficiency) of functional capabilities (characteristics) of information, technological and other systems used by the Bank and/or their failures (malfunctions), and also as a result of external events.

The process of management of operational risk in the Bank consists of several stages: identification of operational risk, assessment of operational risk, monitoring of operational risk, control and/or mitigation of operational risk.

In order to mitigate operational risks, the Bank performs regular checks of compliance with information security, improves internal regulations governing the transactions performance procedure, and works on optimising information flows and internal document flow technology are carried out.

In order to reduce operational risk, the Bank shall organise and establish procedures for internal control over operations in the Bank's divisions. The control system includes effective segregation of duties, access rights, approval, documentation and reconciliation procedures, compliance with the requirements of the laws and regulations of the Bank of Russia, development of plans to maintain operations in unusual situations, training of personnel, and assessment procedures, including internal audit.

Operational risk assessment is performed by the Bank on a continuing basis. For this purpose, an analytical database on incurred operating losses is maintained, which contains information on the types and amounts of losses by the Bank's lines of business and the circumstances of their occurrence. The Bank also maintains an external database on operational risks, containing realised facts of operational risk in the Bank's external environment.

During the reporting period, the Bank did not introduce any changes in the methodology of operational risk assessment and control.

Legal risk

Legal risk is the risk of losses incurred by the Bank as a result of the Bank's failure to comply with the requirements of regulations and concluded contracts, legal errors in the performance of transactions, shortcomings in the legal system (contradictory legislation of the Russian Federation, lack of legal norms to regulate certain issues arising in the course of the Bank's activities), violation of regulations and the terms of concluded contracts by counterparties.

In its turn, the Bank constantly monitors changes in the Russian and international legislation and makes timely changes to internal instructions and regulations, which makes it possible to reduce this type of risk.

23 Capital management

The Bank's objectives when managing capital are:

- compliance with regulatory capital requirements established by the Bank of Russia;
- ensuring the Bank's ability to operate as a going concern.

The Bank of Russia establishes the procedure for calculating core capital, additional capital, supplementary and equity (capital) of the Bank for regulatory purposes. To date, banks are required by the Bank of Russia to maintain a ratio of core capital, additional capital, supplementary and equity (capital) to risk-weighted assets above a certain minimum level.

(Thousands of Russian Roubles)

	Acceptable level of ratio	31 December 2020	31 December 2019
Core capital		11,294,637	11,458,235
Additional capital		11,294,637	11,458,235
Supplementary capital		8,388,488	7,818,875
Equity (capital)		**19,683,125**	**19,277,110**
Core capital adequacy ratio (N1.1), %	Min 4,5%	19.8	22.5
Additional capital adequacy ratio (N1.2), %	Min 6%	19.8	22.5
Equity (capital) adequacy ratio to risk-weighted assets (N1.0), %	Min 8%	34.5	37.9

The Bank monitors the implementation of the capital adequacy ratio established by the Bank of Russia on a daily basis. The Bank provides to the Bank of Russia monthly information on the calculation of the capital adequacy ratio, which is reviewed and approved by the Bank's head and chief accountant. Other objectives of capital management are assessed on an annual basis.

The Bank of Russia has also introduced additional capital adequacy requirements for banks in accordance with the requirements of Basel III. These include a capital conservation buffer of 2.5% and a counter-cyclical buffer of 0%. If the capital adequacy of the Bank falls to a level below the standard value of capital adequacy (N1) increased by capital buffers, measures will be taken to limit the rights to distribute profits and pay non-fixed remuneration to management.

As at 31 December 2020 and 31 December 2019, the Bank complied with all external capital requirements, and there were no restrictions on the rights to distribute profits and pay non-fixed remuneration to management.

24 Provisions, contingent liabilities and contingent assets

Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection used in other countries are not yet generally available in the Russian Federation. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Bank’s property or relating to the Bank’s operations.

Litigations

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial conditions or the results of future operations of the Bank.

Tax legislation

The taxation system in the Russian Federation continues to develop and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

In general, the management believes that the Bank has assessed or paid all taxes set forth bay law. As to transactions, for which there is any uncertainty over taxes, except for income tax, the Bank assessed tax liabilities in accordance with the best assessment by the management of probable outflow of resources that would be required to settle the said liabilities. Possible liabilities identified as at the reporting date, which are determined by management as liabilities related to different interpretation of the tax legislation and regulations, are not assessed in the financial statements.

(Thousands of Russian Roubles)

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

The Bank's outstanding credit related commitments are as follows:

	31 December 2020	31 December 2019
Undrawn loan commitments and overdraft limits	13,137,454	7,639,329
Guarantees issued	4,727,825	4,914,040
Other contingencies	2,549,353	2,718,527
Letters of credit	961,400	240,982
Total credit related commitments before allowance for expected credit losses	**21,376,032**	**15,512,878**
Allowance for expected credit losses	(11,933)	(1,182)
Total credit related commitments	**21,364,099**	**15,511,696**

25 Fair value of financial instruments

Fair value is the amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is given by quoted price in the market for the financial instrument.

The Bank determined the estimated fair value of financial instruments on the basis of available market data (if any) and proper valuation techniques. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Notwithstanding the fact that the Russian Federation has investment grade ratings, it continues to display some characteristic of an emerging economy and economic environment continues to limit the level of activity in financial markets. Market quotations may be outdated or reflect low sale cost and, in view if this, mispresent the fair value of financial instruments. Management uses all available market data when assessing the fair value of financial instruments.

Cash and cash equivalents and Amounts due from financial institutions

According to the Management's assessment, the fair value of cash and cash equivalents and amounts due from financial institutions did not differ significantly from their respective carrying amounts. This is due to the existing practice of revising interest rates to reflect market conditions. Accordingly, the majority of funds are placed at interest rates close to market interest rates.

Loans and advances to customers

The fair value of instruments with floating interest rates usually equals their carrying amount. If the market situation significantly changes, the Bank may revise interest rates on loans to customers with fixed interest rate. As a result, interest rates on loans issued before the reporting date do not significantly differ from current interest rates in the market of loans for new instruments with similar credit risk and maturity date. If, according to the Bank's estimates, interest rates on earlier issued loans significantly differ from current interest rates for similar instruments as at the reporting date, the Bank determines estimated fair value for these loans. The estimate is based on the discounted cash flow method using current interest rates in the market of loans for new instruments with similar credit risk and maturity date. Discounting rates depend on currency, maturity date and credit risk of the counterparty.

Investment securities

The fair value of investment securities is calculated based on quoted market prices.

Other financial assets

The Bank assesses that fair values of other financial assets, including trade receivables, approximates their carrying amount due to their short-term nature.

(Thousands of Russian Roubles)

Liabilities carried at amortised cost

The fair value of these liabilities is based on market prices, if any. The estimated fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using interest rates for instruments with similar credit risk and maturity date. The fair value of liabilities repayable on demand or upon advance notice ("liabilities repayable on demand") is calculated as the amount payable on demand discounted from the first date of the potential making of the demand to settle the liability.

Derivative financial instruments

All derivative financial instruments are recognised at fair value as assets if the fair value of these instruments is positive, and as liabilities if the fair value is negative.

Fair value of financial instruments is represented below.

	31 December 2020			31 December 2019		
	Carrying amount	**Fair value (Level 1)**	**Fair value (Level 3)**	**Carrying amount**	**Fair value (Level 1)**	**Fair value (Level 3)**
Investment securities	10,124,620	10,145,580	-	9,102,152	9,168,981	-
Financial assets at fair value through profit or loss						
Amounts due from financial institutions	621,228	-	621,228	783,509	-	783,509

The Bank measures fair values for financial instruments recorded in the condensed interim statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 − Quoted market price (unadjusted) in an active market for identical assets or liabilities;

Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. These are inputs (adjustable), which are directly or indirectly observable for a financial instrument, except for price quotations categorised as Level 1.

Inputs of Levels 1 and 2 are observable data for a financial instrument being valued;

Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category covers all instruments for which the valuation technique includes inputs not based on public data and such data, which is not publicly available in the market, has significant effect on the instrument valuation. The Bank includes instruments that are valued based on quoted prices for similar instruments where significant adjustments or judgements, which are not publicly available, are required to reflect differences between the instruments.

Fair value of financial assets carried at fair value through profit or loss was calculated by discounting using an average weighted market rate, which was equal to the allocation rate under the contract at initial recognition.

Movement in fair value of amounts due from financial institutions measured at fair value through profit or loss for the years ended 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Fair value as at 1 January	**783,509**	**-**
Loans issued	-	954,405
Loans repaid	(319,928)	(134,156)
Interest income accrued	19,552	15,771
Interest income paid	(24,777)	(10,682)
Movement of foreign exchange differences	162,872	(41,829)
Fair value as at 31 December	**621,228**	**783,509**

(Thousands of Russian Roubles)

Determining the fair value of financial instruments as at 31 December 2020, management of the Bank made the following assumptions:

- to discount future cash flows of financial institutions, the Bank may use an average weighted (average market) interest rate, or a mean value between the maximum interest rates, or an average between the minimum and maximum market rates (depending on the type of instrument). Inputs used to determine a market rate for trade finance transactions, including risk sharing, are classified as unobservable (Level 3), therefore, the Bank used its own assumptions for market rates: cost of resources for the Bank quoted by the Bank Treasury, participating bank or other financing banks at the time of transaction negotiation + the Bank's margin of 0.15% - 3.00% p.a. irrespective of the transaction currency. The rate depends on the timing and volume of transaction as well as assessment of a counterparty's financial position.

The table below sets out information about significant unobservable inputs used in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2020:

Type of instrument	**Fair value**	**Valuation technique**	**Significant unobservable inputs**	**Unobservable inputs**
Amounts due from financial institutions measured at FVTPL	621,228	Discounted cash flows from operating activities	Risk-adjusted discount rate	Cost of resources for the Bank + the Bank's margin of 0.15% - 3.00% p.a. irrespective of the transaction currency

If discount rates changed by plus/minus one per cent, fair value of the said instruments would be by RUB 6,212 thousand higher/lower, respectively (31 December 2019: RUB 7,835 thousand higher/lower, respectively).

For other financial assets and financial liabilities as at 31 December 2020 and 31 December 2019, fair value is not materially different from the carrying amount.

26 Related party transactions

For the purposes of these financial statements, the parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as stated in IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

To disclose related parties information, the Bank considers four categories of related parties:

1. The parent company is Industrial and Commercial Bank of China Limited JSC. The party with ultimate control over the Bank is the Government of the People's Republic of China.
2. Companies of ICBC group are entities, which are members of the financial group of Industrial and Commercial Bank of China Limited JSC.
3. The Bank's key management personnel is represented by an individual or a close family member of the individual who is the Bank's key management personnel.
4. Other companies are parties under influence of the same governmental bodies of the PRC as those who have control, joint control or significant influence on other parties and the Bank, except those represented in other categories by companies of ICBC group.

During the reporting period, the Bank actively cooperated with the Parent company – Industrial and Commercial Bank of China Limited JSC, which is a shareholder of the Bank, its branches and subsidiaries in the interbank lending market, trade finance, foreign currency purchase and sales transactions (including CNY/RUB currency pair).

(Thousands of Russian Roubles)

As at 31 December 2020, the Bank's related parties were as follows:

Key management personnel of the Bank:

Name	Activity	Functions
Li Wencong	President	Management
Igor G. Titlin	Vice-President	Management
Wang Gang	Vice-President	Management
Natalia V. Kuzmina	Chief Accountant	Management
Shao Changyong	Vice-President	Management

Transactions with the Bank's key management personnel

Total remuneration included in operating expenses is as follows:

	for the year 2020		for the year 2019	
	Accrued expenses	**Share, %**	**Accrued expenses**	**Share, %**
Wages and salaries	44,911	47.7%	62,510	66.5%
Bonuses	43,729	46.4%	24,205	25.8%
Long-term benefits	5,522	5.9%	7,240	7.7%
including payroll related taxes and deductions	*11,562*		*11,273*	
TOTAL	**94,162**	**100%**	**93,955**	**100%**

These amounts include cash and non-cash remuneration of the members of Board of Directors and the Management Board.

The outstanding balances and average effective interest rates as at 31 December 2020 and 31 December 2019 for transactions with the members of the Board of Directors and the Management Board are as follows:

	31 December 2020		31 December 2019	
	Carrying amount	**Average effective interest rate, %**	**Carrying amount**	**Average effective interest rate, %**
LIABILITIES				
Other liabilities and reserves	16,969	-	15,170	-
Total liabilities	**16,969**	**-**	**15,170**	**-**

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board are as follows.

	2020	2019
Interest expense	-	(36)
Net gains from transactions with foreign currencies and financial derivatives	20	263

(Thousands of Russian Roubles)

The outstanding balances and the related average effective interest rates as at 31 December 2020 and related income and expenses on transactions with related parties for the year 2020 are as follows:

	Parent company		**Companies of ICBC group**		**Other companies**		**Total**
		Average effective interest rate		**Average effective interest rate**		**Average effective interest rate**	
Statement of financial position							
Cash and cash equivalents	2,355,595	0.87%	11,216,180	0.72%	25	0.40%	**13,571,800**
Amounts due from financial institutions	-	-	-	-	16,433	6.75%	**16,433**
Investment securities	-	-	-	-	2,291,994	3.15%	**2,291,994**
Property and equipment and intangible assets	-	-	-	-	31,635	-	**31,635**
Other assets	-	-	1,976	-	409	-	**2,385**
Total assets	**2,355,595**		**11,218,156**		**2,340,496**		**15,914,247**
Amounts due to financial institutions	4,274,073	0.05%	4,557,575	(0.41%)	1,494,922	0.28%	**10,326,570**
Amounts due to customers	-	-	-	-	26,574,451	3.29%	**26,574,451**
Other liabilities and reserves	72	-	31,469	-	61,275	-	**92,816**
Subordinated loans	8,904,058	1.58%	-	-	-	-	**8,904,058**
Total liabilities	**13,178,203**		**4,589,044**		**28,130,648**		**45,897,895**
Off-balance sheet claims and liabilities							
Guarantees received	-		1,408,781	0.26%	3,550,548	0.20%	4,959,329
Guarantees issued	-		1,408,781	0.26%	3,261,371	0.20%	4,670,152
Statement of profit or loss and other comprehensive income							
Interest income	(217,052)		(47,667)		(394,242)		**(658,961)**
Interest expense	58,805		17,955		44,047		**120,807**
Net losses from transactions with foreign currencies and financial derivatives	(689,836)		(1,820,368)		28,120		**(2,482,084)**

(Thousands of Russian Roubles)

	Parent company	**Companies of ICBC group**	**Other companies**	**Total**
	Average effective interest rate	**Average effective interest rate**	**Average effective interest rate**	
Fee and commission income	(282)	(1,681)	(842)	**(2,805)**
Fee and commission expense	1,515	10,855	96,079	**108,449**
Other operating income	-	-	469	**469**
Operating expense	-	-	(3,140)	**(3,140)**
Change in allowance for expected credit losses (impairment allowance) on interest-bearing debt financial assets	1	(86)	78,917	**78,832**

(Thousands of Russian Roubles)

The outstanding balances and the related average effective interest rates as at 31 December 2019 and related income and expenses on transactions with related parties for the year 2019 are as follows:

	Parent company		**Companies of ICBC group**		**Other companies**		**Total**
		Average effective interest rate		**Average effective interest rate**		**Average effective interest rate**	
Statement of financial position							
Cash and cash equivalents	2,290,348	1.29%	40,843	(0.38%)	2,464	0.50%	**2,333,655**
Amounts due from financial institutions	-	-	-	-	-	-	**-**
Investment securities	-	-	-	-	444,664	2.90%	**444,664**
Other assets	-	-	1,634	-	1,909	-	**3,543**
Total assets	**2,290,348**		**42,477**		**449,037**		**2,781,862**
Amounts due to financial institutions	1,246,568	0.14%	793,697	3.02%	2,876,300	5.51%	**4,916,565**
Amounts due to customers	-	-	-	-	9,611,917	1.32%	**9,611,917**
Other liabilities and reserves	-	-	32,750	-	1,888	-	**34,638**
Subordinated loans	7,497,056	3.27%	-	-	-	-	**7,497,055**
Total liabilities	**8,743,624**		**826,447**		**12,490,105**		**22,060,176**
Off-balance sheet claims and liabilities							
Guarantees received	-	-	988,214	0.29%	3,640,797	0.20%	**4,629,011**
Guarantees issued	-	-	988,214	0.29%	3,640,797	0.20%	**4,629,011**
Statement of profit or loss and other comprehensive income							
Interest income	46,492		14,320		37,022		**97,834**
Interest expense	(334,668)		(114,644)		(363,794)		**(813,106)**
Net gains from transactions with foreign currencies and financial derivatives	233,752		951,999		5,893		**1,191,644**
Fee and commission income	9,619		4,472		87,129		**101,220**

(Thousands of Russian Roubles)

	Parent company		Companies of ICBC group		Other companies		Total
		Average effective interest rate		Average effective interest rate		Average effective interest rate	
Fee and commission expense	(3)		(2,432)		(48)		**(2,483)**
Other operating expense	-		-		315		**315**
Operating income	-		-		(8,208)		**(8,208)**
Change in allowance for expected credit losses (impairment allowance) on interest-bearing debt financial assets	(20)		-		(134)		**(154)**
Net gain (loss) from transactions with financial assets / liabilities	387,469		(29,060)		46,459		**404,868**

President — Li Wencong

Chief Accountant — N.V. Kuzmina