



ICBC Bank (Joint Stock Company)
annual financial statements
for the year 2020



Independent Auditors' Report

**on the Annual Financial Statements of
Bank ICBC (joint stock company)
for the 2020 reporting year**



Independent Auditors' Report

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

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Bank ICBC (joint stock company) (the "Bank"), which comprise the balance sheet (form for publication) for 2020, the income statement (form for publication) for the year 2020, the statement on capital adequacy for risk coverage (form for publication) as at 1 January 2021, the report on changes in equity of credit organisation (form for publication) as at 1 January 2021, the report on mandatory ratios, leverage ratio and liquidity coverage ratio (form for publication) as at 1 January 2021, the cash flow statement (form for publication) as at 1 January 2021, and the explanatory notes to the annual financial statements.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Bank as at 1 January 2021, and its financial performance and its cash flows for the year 2020 in accordance with the requirements of Russian rules for preparation of the annual financial statements by credit institutions.

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 Annual 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 annual 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.

Audited entity: Bank ICBC (joint-stock company).
Registration number in the Unified State Register of Legal Entities:
No. 1077711000157.
Moscow, Russia.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration number in the Unified State Register of Legal Entities:
No. 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351.



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

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

In preparing the annual 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 preparation of the Bank's annual financial statements.

Auditors' Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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 on findings from review 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 established by the Bank of Russia as at 1 January 2021;
- 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 on 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 have established 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 annual financial statements present fairly, in all material respects, the financial position of the Bank as at 1 January 2021, and its financial performance and its cash flows for the year 2020 in accordance with the requirements of Russian rules for the preparation of the annual financial statements by credit institutions.

- 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, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing, was approved by the authorized 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, operational, market, interest rate, legal, liquidity and reputational risks, 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, market, liquidity and reputational risk management, 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 Management Board 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 Management Board 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

20 April 2021



Banking Statutory Financial Statements

Territory Code OKATO	Credit Institution's (Branch's) code	
	OKFO	Registration number (/index number)
45286580	83086298	3475

BALANCE SHEET
(published form)
for the year 2020

Credit institution: Bank ICBC (Joint Stock Company)/ Bank ICBC (JSC)
Address (location) of the credit institution: 29 Serebryanicheskaya Emb, Moscow, 109028

Form Code by OKUD No. 0409806
Quarterly (Annual)

Line No.	Caption	Notes	As for the reporting period, thousand roubles	As for the previous period, thousand roubles
1	2	3	4	5
I. ASSETS				
1	Cash	4.1	42393	62532
2	Amounts due from the Central Bank of the Russian Federation	4.1	3789592	4096198
2.1	Obligatory reserves		553035	330237
3	Amounts due from credit institutions	4.1	16812261	4696814
4	Financial assets measured at fair value through profit or loss	4.2; 4.11	621228	783509
5	Net loan receivables measured at amortized cost	4.3.1	48334122	40911481
5a	Net loan receivables		0	0
6	Net investment in financial assets measured at fair value through other comprehensive income		0	0
6a	Net investments in securities and other financial assets available-for-sale		0	0
7	Net investments in securities and other financial assets measured at amortised cost (other than outstanding loans)	4.3.2	10106548	9098615
7a	Net investments in securities held-to-maturity		0	0
8	Investments in subsidiaries and associates		0	0
9	Current income tax asset		292	0
10	Deferred tax asset		0	0
11	Fixed assets, intangible assets and inventories	4.4	382003	80987
12	Non-current assets held for sale		0	0
13	Other assets	4.5	81658	2449
14	Total assets		80170097	59732585
II. LIABILITIES				
15	Loans, deposits and other amounts due to the Central Bank of the Russian Federation		0	0
16	Amounts due to customers measured at amortised cost		66287566	46733364
16.1	amounts due to credit institutions	4.6	30816306	24185140
16.2	amounts due to customers other than credit institutions	4.7	35471260	22548224
16.2.1	deposits (funds) of individuals, including individual entrepreneurs	4.7	51515	51674
17	Financial liabilities measured at fair value through profit or loss		0	0
17.1	deposits (funds) of individuals, including individual entrepreneurs		0	0
18	Debt securities issued		0	0
18.1	measured at fair value through profit or loss		0	0

18.2	measured at amortised cost		0	0
19	Current income tax liability		81540	25306
20	Deferred tax liability		17821	0
21	Other liabilities	4.8	1309045	208524
22	Provisions for contingent credit-related commitments, other losses and transactions with offshore residents	4.9	49139	30952
23	Total liabilities		67745111	46998146
III. EQUITY				
24	Share capital	4.10	10809500	10809500
25	Treasury shares		0	0
26	Share premium		0	0
27	Reserve fund		329895	267961
28	Revaluation reserve for financial assets measured at fair value through other comprehensive income, net of deferred tax (increased by deferred tax asset)		0	0
29	Revaluation of fixed assets and intangible assets, net of deferred tax		0	0
30	Revaluation of liabilities (claims) on long-term compensation		0	0
31	Revaluation of hedging instruments		0	0
32	Grants and subsidies (contribution to assets)		0	0
33	Change in the fair value of a financial liability due to change in credit risk		0	0
34	Allowance for expected credit losses		0	0
35	Retained earnings (accumulated losses)		1285591	1656978
36	Total equity		12424986	12734439
IV. OFF-BALANCE SHEET LIABILITIES				
37	Credit institution's irrevocable liabilities		15686807	10357856
38	Guarantees and sureties issued by the credit institution		5689226	5155022
39	Non-credit related contingent commitments		0	0

President

Chief Accountant

Telephone number: (495) 287-30-99
20.04.2021

Li Wencong

N.V. Kuzmina



Banking Statutory Financial Statements

Territory Code OKATO	Credit Institution's (Branch's) code	
	OKPO	Registration number (/index number)
45286580	83086298	3475

INCOME STATEMENT
(published form)
for the year 2020

Credit institution: Bank IOBC (Joint Stock Company)/ Bank IOBC (JSC)

Address (location) of the credit institution: 29 Serebryanicheskaya Bld, Moscow, 109029

Form Code by OKUD No.0409807
Quarterly (Annual)

Part 1. Profit or loss

Line No.	Caption	Notes	As for the reporting period, thousand roubles	As for the previous period thousand roubles
1	2	3	4	5
1	Total interest income, including:	5.1	2320570	2418882
1.1	due from credit institutions	5.1	844137	676269
1.2	loans to customers other than credit institutions	5.1	1043438	1251184
1.3	net investments in finance leases		0	0
1.4	securities	5.1	432995	491429
2	Total interest expense, including:	5.1	1012471	1281465
2.1	due to credit institutions	5.1	394791	760626
2.2	due to customers other than credit institutions	5.1	617680	520839
2.3	Securities issued		0	0
3	Net interest income (negative interest margin)	2.2; 5.1	1308099	1137417
4	Total change in allowance for impairment and allowance for expected credit losses on loan receivables, amounts on corresponding accounts, and accrued interest income, including:	5.2	68361	184770
4.1	Change in allowance for impairment and allowance for expected credit losses on accrued interest income		-367	99
5	Net interest income (negative interest margin) after allowance for impairment	5.1	1376460	1322187
6	Net income from transactions with financial assets measured at fair value through profit or loss	5.1	-2436813	1258302
7	Net income from transactions with financial liabilities, measured at fair value through profit or loss		0	0
8	Net income from transactions with securities measured at fair value through other comprehensive income		0	0
8a	Net income from transactions with securities available-for-sale		0	0
9	Net income from transactions with securities measured at amortised cost	5.1	-34	-146
9a	Net income from transactions with securities held-to-maturity		0	0
10	Net income from transactions with foreign currency	5.1; 5.3	-63467	425579
11	Net income from foreign exchange revaluation	5.1; 5.3	3114178	-908235
12	Net income from transactions with precious metals		0	0
13	Income from equity participation		0	0
14	Fee and commission income	5.1; 5.4	98612	99124
15	Fee and commission expense	5.1; 5.4	24251	41053
16	Change in allowance for impairment and allowance for expected credit losses on securities measured at fair value through other comprehensive income		0	0
16a	Change in allowance for impairment on securities available-for-sale		0	0
17	Change in provision for possible losses and allowance for expected credit losses on securities measured at amortised cost		-14683	-3489
17a	Change in allowance for impairment on securities held-to-maturity		0	0

18	Change in allowance for other losses	5.2	1572	227937
19	Other operating income	5.1	23007	30957
20	Net income (expense)		2074581	2411163
21	Operating expenses	5.1; 5.6	964046	865124
22	Profit (loss) before tax	2.2	1110535	1546039
23	Tax expense	5.5	243246	307363
24	Profit (loss) from continuing operations	2.2	867289	1238676
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period		867289	1238676

Part 2. Other comprehensive income

Line No.	Caption	Notes	As for the reporting period, thousand roubles	As for the previous period thousand roubles
1	2	3	4	5
1	Profit (loss) for the reporting period	2.2	867289	1238676
2	Other comprehensive income (loss)		X	X
3	Total items that are not reclassified to profit or loss including:		0	0
3.1	change in revaluation reserve for fixed assets		0	0
3.2	change in remeasurement fund of defined contribution pension plan		0	0
4	Income tax related to items are not be reclassified to profit or loss		0	0
5	Other comprehensive income (loss) is not reclassified to profit or loss, net of income tax		0	0
6	Total items to be reclassified to profit or loss, including:		0	0
6.1	change in revaluation reserve for financial assets, measured at fair value through other comprehensive income		0	0
6.1a	change in revaluation reserve for financial assets available-for-sale		0	0
6.2	change in revaluation reserve for financial liabilities at fair value through profit or loss		0	0
6.3	change in cash flow hedging fund		0	0
7	Income tax, related to items to be reclassified to profit or loss		0	0
8	Other comprehensive income (loss) to be reclassified to profit or loss, net of income tax		0	0
9	Other comprehensive income (loss), net of income tax		0	0
10	Comprehensive income (loss) for the reporting period		867289	1238676

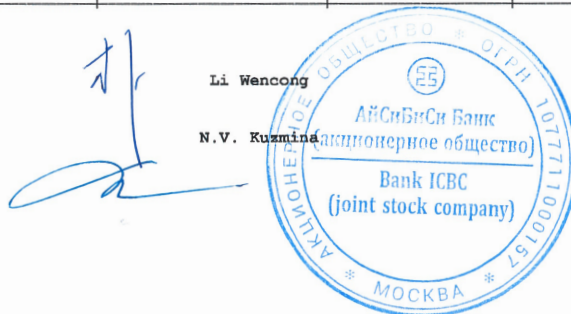
President

Li Wencong

Chief Accountant

N.V. Kuzmina

Telephone number: (495) 287-30-99
20.04.2021



Banking Statutory Financial Statements

Territory Code OKATO	Credit Institution's (Branch's) code	
	OKPO	Registration number (/index number)
45286580	83086298	3475

STATEMENT ON CAPITAL ADEQUACY FOR RISK COVERAGE
(published form)
As at 01.01.2021

Credit institution: Bank ICBC (Joint Stock Company)/ Bank ICBC (JSC)
Address (location) of the credit institution: 29 Serednyanicheskaya Bldg, Moscow, 109029

Form Code by CRD No. 0409808
Quarterly (Annual)

Section 1. Information on Capital Adequacy

Line No.	Instrument (item)	Notes	Instrument value (amount of item) as at the reporting date RUB thousand	Instrument value (amount of item) as at the beginning of the reporting year, RUB thousand	Reference to lines of the balance sheet (published form), which are sources of elements of the equity
1	2	3	4	5	6
Sources of core capital					
1	Total share capital and share premium, including:	9	10809500.0000	10809500.0000	24,26
1.1	ordinary shares	9	10809500.0000	10809500.0000	24,26
1.2	preference shares		0.0000	0.0000	
2	Retained earnings (accumulated losses):		189691.0000	418302.0000	35
2.1	previous years		189691.0000	418302.0000	35
2.2	reporting year		0.0000	0.0000	35
3	Reserve fund	9	329895.0000	267961.0000	27
4	Part of share capital subject to gradual elimination from the calculation of equity		not applicable 0.0000	not applicable 0.0000	
5	Subsidiaries' core capital instruments held by third parties		not applicable 0.0000	not applicable 0.0000	
6	Total sources of core capital (line 1 +/- line 2 + line 3 - line 4 + line 5)		11329086.0000	11495763.0000	
Items reducing the sources of core capital:					
7	Adjustment of the financial instrument value		0.0000	0.0000	
8	Goodwill, net of deferred tax		0.0000	0.0000	
9	Intangible assets (excluding goodwill and rights to mortgage loan servicing), net of deferred tax liabilities		34449.0000	37528.0000	11
10	Deferred tax assets dependent on future profit		0.0000	0.0000	
11	Cash flow hedging provision		0.0000	0.0000	
12	Insufficient allowance for impairment		0.0000	0.0000	
13	Income from securitization		not applicable 0.0000	not applicable 0.0000	
14	Gains and losses related to change in credit risk for liabilities measured at fair value		not applicable 0.0000	not applicable 0.0000	
15	Defined benefit plan assets		not applicable 0.0000	not applicable 0.0000	
16	Investments in treasury shares		0.0000	0.0000	
17	Mutual cross-ownership of core capital instruments		0.0000	0.0000	
18	Insignificant investments in core capital of financial institutions		0.0000	0.0000	
19	Significant investments in core capital of financial institutions		0.0000	0.0000	
20	Rights to mortgage loans servicing		not applicable 0.0000	not applicable 0.0000	
21	Deferred tax assets independent on future profit		0.0000	0.0000	
22	Total amount of significant investments and deferred tax assets excess of 15% of core capital, including:		0.0000	0.0000	
23	significant investments in core capital of financial institutions		0.0000	0.0000	
24	rights to mortgage loans servicing		not applicable 0.0000	not applicable 0.0000	

25	deferred tax assets independent on future profit		0.0000	0.0000	
26	Other items reducing the sources of core capital, established by the Bank of Russia		0.0000	0.0000	
27	Negative additional capital		0.0000	0.0000	
28	Total items reducing the sources of core capital (sum of lines 7-22, 26 and 27)		34449.0000	37528.0000	
29	Total core capital (line 6 - line 28)		11294637.0000	11458235.0000	
Sources of additional capital					
30	Instruments of the additional capital and share premium, total, including:		0.0000	0.0000	
31	classified as capital		0.0000	0.0000	
32	classified as liabilities		0.0000	0.0000	
33	Instruments of additional capital, subject to gradual elimination from the calculation of equity		0.0000	0.0000	
34	Subsidiaries' additional capital instruments held by third parties, including:		not applicable 0.0000	not applicable 0.0000	
35	Subsidiaries' additional capital instruments held by third parties, subject to gradual elimination from the calculation of equity		not applicable 0.0000	not applicable 0.0000	
36	Total sources of additional capital (line 30 + line 33 + line 34)		0.0000	0.0000	
Items reducing the sources of additional capital					
37	Investments in own instruments of additional capital		0.0000	0.0000	
38	Mutual cross-ownership of additional capital instruments		0.0000	0.0000	
39	Insignificant investments in additional capital of financial institutions		0.0000	0.0000	
40	Significant investments in additional capital of financial institutions		0.0000	0.0000	
41	Other items reducing the sources of additional capital established by the Bank of Russia		0.0000	0.0000	
42	Negative additional capital		0.0000	0.0000	
43	Items reducing sources of additional capital (sum of lines 37-42)		0.0000	0.0000	
44	Total additional capital (line 36 - line 43)		0.0000	0.0000	
45	Total primary capital (line 29 + line 44)	9	11294637.0000	11458235.0000	
Sources of supplementary capital					
46	Instruments of the supplementary capital and share premium		8388488.0000	7818875.0000	16.1
47	Instruments of supplementary capital, subject to gradual elimination from the calculation of equity		0.0000	0.0000	
48	Subsidiaries' supplementary capital instruments held by third parties, including:		not applicable 0.0000	not applicable 0.0000	
49	Subsidiaries' supplementary capital instruments held by third parties, subject to gradual elimination from the calculation of equity		not applicable 0.0000	not applicable 0.0000	
50	Allowance for impairment		0.0000	0.0000	
51	Total sources of supplementary capital (line 46 + line 47 + line 48 + line 50)		8388488.0000	7818875.0000	
Items reducing the sources of supplementary capital					
52	Investments in own instruments of supplementary capital		0.0000	0.0000	
53	Mutual cross-ownership of supplementary capital instruments		0.0000	0.0000	
54	Insignificant investments in supplementary capital instruments and other instruments that provide the total loss-absorbing capacity of financial institutions		0.0000	0.0000	
54a	Investments in other instruments that provide the total loss-absorbing capacity financial institutions		0.0000	0.0000	
55	Significant investments in supplementary capital instruments and other instruments that provide the total loss-absorbing capacity of financial institutions		0.0000	0.0000	
56	Other items reducing the sources of supplementary capital established by the Bank of Russia, including:		0.0000	0.0000	
56.1	receivables overdue for more than 30 calendar days		0.0000	0.0000	
56.2	excess of the total amount of loans, bank guarantees and sureties provided to own shareholders (participants) and insiders over its maximum size		0.0000	0.0000	
56.3	investments in construction and acquisition of fixed assets and inventory		0.0000	0.0000	

56.4	difference between the actual cost of share due to retired participants and the cost of share sold to another participant		0.0000	0.0000	
57	Total items reducing the sources of supplementary capital (sum of lines 52 - 56)		0.0000	0.0000	
58	Total supplementary capital (line 51 - line 57)	9	8388488.0000	7818875.0000	
59	Total equity (capital) (line 45 + line 58)	9	19683125.0000	19277110.0000	
60	Risk-weighted assets:		X	X	X
60.1	used for calculation of core capital adequacy		57130217.0000	50902378.0000	
60.2	used for calculation of primary capital adequacy		57130217.0000	50902378.0000	
60.3	used for calculation of equity (capital) adequacy		57130217.0000	50902378.0000	
Equity (capital) adequacy ratio and buffers on equity (capital) adequacy ratio requirements, percentage					
61	Core capital adequacy (line 29 / line 60.1)	9	19.7700	22.5100	
62	Primary capital adequacy (line 45 / line 60.2)	9	19.7700	22.5100	
63	Equity (capital) adequacy (line 59 / line 60.3)	9	34.4530	37.8710	
64	Core capital adequacy ratio buffers, total, including:	9	7.0000	6.7500	
65	capital conservation buffer		2.5000	2.2500	
66	countercyclical buffer		0.0000	0.0000	
67	systemic importance buffer		not applicable 0.0000	not applicable 0.0000	
68	Core capital available for directing to support of equity (capital) adequacy		13.7700	16.5100	
Equity (capital) adequacy ratio requirements, percentage					
69	Core capital adequacy ratio		4.5000	4.5000	
70	Primary capital adequacy ratio		6.0000	6.0000	
71	Equity (capital) adequacy ratio		8.0000	8.0000	
Items not exceeding the applicable materiality thresholds and not accepted for the reduction of sources of capital					
72	Insignificant investments in capital instruments and other instruments that provide the total loss-absorbing capacity of financial institutions		0.0000	0.0000	
73	Significant investments in core capital instruments of financial institutions		0.0000	0.0000	
74	Rights to mortgage loans servicing		not applicable 0.0000	not applicable 0.0000	
75	Deferred tax assets independent on future profit		0.0000	0.0000	
Restrictions on the inclusion of allowance for impairment in the calculation of supplementary capital					
76	Allowance for impairment included in calculation of supplementary capital related to credit risk calculation by standardised approach		not applicable 0.0000	not applicable 0.0000	
77	Restrictions for inclusion in calculation of supplementary capital allowance for impairment by standardised approach		not applicable 0.0000	not applicable 0.0000	
78	Allowance for impairment included in calculation of supplementary capital, related to credit risk calculation by internal models		0.0000	0.0000	
79	Restrictions for inclusion in calculation of supplementary capital allowance for impairment by internal models		0.0000	0.0000	
Instruments subject to gradual exclusion from the calculation of equity (capital) (applies from January 1, 2018 to January 1, 2022)					
80	Current limitation on including instruments subject to gradual elimination from the calculation of equity (capital) in the core capital sources		0.0000	0.0000	
81	Instruments not included in core capital sources due to limitations		0.0000	0.0000	
82	Current limitation on including instruments subject to gradual elimination from the calculation of equity (capital) in the additional capital sources		0.0000	0.0000	
83	Instruments not included in additional capital sources due to limitations		0.0000	0.0000	
84	Current limitation on including instruments subject to gradual elimination from the calculation of equity (capital) in the supplementary capital sources		0.0000	0.0000	
85	Instruments not included in supplementary capital sources due to limitations		0.0000	0.0000	

Note.

Information on the balance sheet that is the source for Section 1 of the Report is given in Table N 1 of Section I "Information on the Structure of Equity Capital)". Information on the applicable risk and capital management procedures disclosed on <http://www.icbc.com.cn/ICBC/%e6b16%b7%e5a4%96%e588%86%e8a1%8c/%e8%8eab%e6%96%a7%e7%91%e7%bd%9>

Section 4. Main parameters of capital instruments

No. / Feature of capital instrument	Short name of issuer of capital instrument	Instrument ID number	Applicable law	to other instruments of total capacity to absorb losses	Regulatory conditions					
					Capital level of the instrument during the "Basel III" transition period	Capital level of the instrument after the "Basel III" transition period	Consolidation level where the instrument is included in capital	Instrument type	Instrument's value included in capital calculation	Nominal instrument's value
	1	2	3	3a	4	5	6	7	8	9
1	ICBC Bank (JSC)	10103475B	643(RUSSIAN FEDERATION)		not applicable	core capital	not applicable	Ordinary shares	10809500	10809500, Russian Ruble
2	Industrial and Commercial Bank of China Limited* (IBC)		643(RUSSIAN FEDERATION)		not applicable	additional capital	not applicable	Subordinated loan (deposit borrowing)	2216271	50000, USD
3	Industrial and Commercial Bank of China Limited* (IBC)		643(RUSSIAN FEDERATION)		not applicable	additional capital	not applicable	Subordinated loan (deposit borrowing)	517129	70000, USD

Section 4. Continued

No. / Feature of capital instrument	Regulatory conditions							Interest / dividends / coupon income				
	Accounting classification of the instrument	Instrument's issue date (attracted, placed)	Term of the instrument	Maturity date of the instrument	Instrument with early buyback (repayment) option agreed with the Bank of Russia	Initial early buyback (repayment) option date (dates), terms of such option and buyback (repayment) amount	Subsequent early buyback (repayment) option date (dates)	Interest rate type of the instrument	Rate	Conditions when payments of dividends on common stocks are terminated	Obligation to pay dividends	Conditions that stipulate increase of payment on the instrument or other incentives for early buyback (repayment) of the instrument
	10	11	12	13	14	15	16	17	18	19	20	21
1	share capital	13.09.2007	perpetual	not applic.	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	at the sole discretion of credit institution (parent CI and /or member of banking group)	no
		30.10.2012										
		24.03.2017										
2	liability measured at carrying value	29.10.2013	term	30.10.2023	no	not applicable	not applicable	floating rate	1.55/LIBOR	not applicable	not applicable	no
3	liability measured at carrying value	26.02.2018	term	25.02.2033	no	not applicable	not applicable	floating rate	1.60/LIBOR	not applicable	not applicable	o

Section 4. Continued

No. / Feature of capital instrument	Interest / dividends / coupon income											
	Nature of payments	Convertibility of instrument	Conditions when the instrument is converted	Full or partial conversion	Conversion rate	Is conversion obligatory	Level of capital into which the instrument is converted	Short name of capital into which the instrument is converted	Possibility/ to write off instrument to cover losses	Conditions instruments write-off is subject to	Full or partial write-off	Permanent or temporary write-off
	22	23	24	25	26	27	28	29	30	31	32	33
1	non-cumulative	non-convertible	not applicable	not applicable	not applic.	not applicable	not applicable	not applicable	yes	86-48, 127-48	always partial	Permanent
2	non-cumulative	convertible	Value of core capital adequacy ratio calculated by CI in accordance with Instruction of the Bank of Rus sia N 180- I has reached level below 2% in aggre gate for 6 or more business days within any 30 consecutive days	fully or partial	1	obligatory	core capital	ICBC Bank (JSC)	yes	by law	fully or partial	Permanent
3	non-cumulative	convertible	Value of core capital adequacy ratio calculated by CI in accordan ce with Instruc tion of the Bank of Russia N 180- I has reached a level below 2% in aggregate for 6 or more busi ness days within any 30 consecutive days	fully or partial	1	obligatory	core capital	ICBC Bank (JSC)	yes	by law	fully or partial	Permanent

Section 4. Continued

No. / Nature of capital instrument	Interest / dividends / coupon income				
	Recovery mechanism	Subordination type	Subordination of the instrument	Compliance with requirements of Bank of Russia N 646-P and N 509-P	Reasons for non-compliance
	34	34a	35	36	37
1	not applicable	not applicable	not applicable	yes	not applicable
2	not applicable	not applicable	yes	yes	not applicable
3	not applicable	not applicable	yes	yes	not applicable

President

Chief Accountant

Telephone number: (495) 287-30-99
20.04.2021



Li Wencong

N.V. Kuzmina



Banking Statutory Financial Statements

Territory Code OKATO	Credit Institution's (Branch's) code	
	OKFO	Registration number (/index number)
45286580	83086298	3475

STATEMENT ON CHANGES IN EQUITY OF CREDIT ORGANISATION
(published form)
As at 01.01.2021

Credit institution: Bank ICBC (Joint Stock Company)/ Bank ICBC (JSC)
Address (Location) of the credit institution: 29 Serebrynicheskaya Bld, Moscow, 109029

Form Code by OKUD No. 0409810
Quarterly (Annual)
thousand rubles

No.	Item	Notes	Share capital	Treasury shares	Share premium	Fair value revaluation of available-for-sale securities decreased by deferred tax liability (increased by deferred tax asset)	Revaluation reserve for fixed assets net of deferred tax liabilities	Increase (decrease) in liabilities (claims) for the payment of long-term employee remuneration upon termination of labor activity due to revaluation	Revaluation of hedging instruments	Reserve fund	Grants and subsidies financing (contribution to assets)	Change in the fair value of financial liability due to change in credit risk	Allowance for expected credit losses	Retained earnings (accumulated loss)	Total equity
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	As at the beginning of prior reporting year		10809500.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	230068.0000	0.0000	0.0000	0.0000	1176161.0000	12215729.0000
2	Effect of changes in accounting policies		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
3	Effect of error correction		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
4	As at the beginning of the prior reporting period (adjusted)		10809500.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	230068.0000	0.0000	0.0000	0.0000	1176161.0000	12215729.0000
5	Comprehensive income for the previous reporting period:		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	37893.0000	0.0000	0.0000	0.0000	1200783.0000	1238676.0000
5.1	profit (loss)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	37893.0000	0.0000	0.0000	0.0000	1200783.0000	1238676.0000
5.2	other comprehensive income		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6	Share issue:		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6.1	nominal value		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6.2	share premium		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	Treasury shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7.1	acquisitions		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7.2	disposals		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	Revaluation of fixed assets and intangible assets		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
9	Dividends declared and other payments to shareholders (participants):		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-719966.0000	-719966.0000
9.1	on ordinary shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-719966.0000	-719966.0000

9.2	on preferred shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
10	Other contributions of shareholders (participants) and distribution to shareholders (participants)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
11	Other movements		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
12	As at the corresponding reporting period of last year		10809500.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	267961.0000	0.0000	0.0000	0.0000	1656978.0000	12734439.0000
13	As at the beginning of the reporting period		10809500.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	267961.0000	0.0000	0.0000	0.0000	1656978.0000	12734439.0000
14	Effect of changes in accounting policies		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	Effect of error correction		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
16	As at the beginning of the reporting year (adjusted)		10809500.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	267961.0000	0.0000	0.0000	0.0000	1656978.0000	12734439.0000
17	Comprehensive income for the reporting period:	6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	61934.0000	0.0000	0.0000	0.0000	805355.0000	867289.0000
17.1	profit (loss)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	61934.0000	0.0000	0.0000	0.0000	805355.0000	867289.0000
17.2	other comprehensive income		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
18	Share issues:		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
18.1	nominal value		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
18.2	Share premium		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
19	Treasury shares:		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
19.1	acquisitions		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
19.2	disposals		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
20	Revaluation of fixed assets and intangible assets		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
21	Dividends declared and other payments in favor of shareholders (participants)	6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-1176742.0000	-1176742.0000
21.1	for ordinary shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-1176742.0000	-1176742.0000
21.2	for preferred shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	Other contributions of shareholders (participants) and distributions to shareholders (participants)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
23	Other movements		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
24	As at the end of the reporting period		10809500.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	329895.0000	0.0000	0.0000	0.0000	1285591.0000	12424986.0000

President

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Telephone number: (495) 287-30-99
20.04.2021



Banking Statutory Financial Statements		
Territory Code	Credit Institution's (Branch's) code	
OKATO	OKFO	Registration number (/index number)
45286580	83086298	3475

INFORMATION ON MANDATORY RATIOS, THE FINANCIAL LEVERAGE RATIO AND THE SHORT-TERM LIQUIDITY RATIO
(published form)
As at 01.01.2021

Credit institution: Bank ICBC (Joint Stock Company)/ Bank ICBC (JSC)
Address (location) of the credit institution: 29 Serebryanicheskaya Bld, Moscow, 109029

Form Code by CRUD No. 0409813
Quarterly (Annual)

Section 1. Information on Mandatory ratios

No.	Ratio	Notes	Actual value				
			As at the reporting date	one quarter before the reporting date	Two quarters before the reporting date	Three quarters before the reporting date	Four quarters before the reporting date
1	2	3	4	5	6	7	8
Capital, RUB thousand							
1	Core capital	0	11294637	11523836	12470920	11459613	11458235
1a	Core capital with full application of the ECL model net of transition effect	0	11523248	11523836	12470920	11459613	11458235
2	Primary capital	0	11294637	11523836	12470920	11459613	11458235
2a	Primary capital with full application of ECL model	0	11523248	11523836	12470920	11459613	11458235
3	Equity (capital)	0	19683125	20717386	20473317	21323344	19277110
3a	Equity (capital) with the full application of ECL model	0	19778107	20340886	20494992	21413504	19505720
RISK-WEIGHTED ASSETS, RUB thousand							
4	Risk-weighted assets	0	57130217	57757933	53921176	50620390	50902378
CAPITAL ADEQUACY RATIOS, percent							
5	Core capital adequacy ratio NL.1 (N20.1)	0	19.770	19.952	23.128	19.221	22.510
5a	Core capital adequacy ratio with the full application of ECL model	0	20.150	20.012	23.541	19.135	22.373
6	Primary capital adequacy ratio NL.2 (N20.2)	0	19.770	19.952	23.128	19.221	22.510

6a	Primary capital adequacy ratio with the full application of ECL model	0	20.150	20.012	23.541	19.135	22.373
7	Equity (capital) adequacy ratio N1.0 (N1cc,N1.3, N20.0)	0	34.453	35.869	37.969	35.765	37.871
7a	Equity (capital) adequacy ratio with the full application of ECL model	0	34.584	35.324	37.991	35.756	37.916
BUFFERS ON CORE CAPITAL (percentage of risk-weighted assets)							
8	Capital conservation buffer	0	2.5	2.5	2.5	2.5	2.25
9	Countercyclical buffer	0	0	0	0	0	0
10	System importance buffer	0					
11	Equity (capital) adequacy ratio buffers, total (line8+line9+line10)	0	2.5	2.5	2.5	2.5	2.25
12	Core capital available for directing to support of equity (capital) adequacy	0	13.770	13.952	17.128	13.221	16.510
FINANCIAL LEVERAGE RATIO							
13	Amount of balance sheet assets and off-balance liabilities at risk for calculation of financial leverage ratio, RUB thousand	0	89371897	85844252	75833143	76880914	66865035
14	Financial leverage ratio of the Bank (N1.4), the banking group (N20.4 percentage)	0	12.638	13.424	16.445	14.906	17.136
14a	Financial leverage ratio with the full application of ECL model, percentage	0	12.889	13.446	16.741	14.854	16.988
LIQUIDITY COVERAGE RATIO							
15	Highly liquid assets, thous. RUB	0	0	0	0	0	0
16	Net expected cash outflow, thous. RUB	0	0	0	0	0	0
17	Liquidity coverage ratio N26 (N27) percentage	0	0	0	0	0	0
STRUCTURAL LIQUIDITY RATIO (NET STABLE FUNDING RATIO)							
18	Available stable funding (ASF), thous. RUB	0	0	0	0	0	0

19	Required stable funding (RSF), thous. RUB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	Structural liquidity ration (net stable funding ration) N28, (N29) percentage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RATIOS LIMITING CERTAIN RISK TYPES, percentage																	
21	Quick liquidity ratio N2	0	57.700	26.044	75.132	86.072	55.496										
22	Current liquidity ratio N3	0	76.570	65.673	81.417	88.861	85.026										
23	Long-term liquidity ratio N4	0	57.324	76.730	78.529	85.919	69.450										
24	Maximum exposure one borrower or a group of related borrowers ration N6 (N21)	0	maximum	number of violations	Duration	maximum	number of violations	Duration	maximum	number of violations	Duration	maximum	number of violations	Duration	maximum	number of violations	Duration
			16.7			15.7			16.8			16.1			18.4		
25	Maximum major credit exposures ration N7 (N22)	0	168.912	149.158	153.908	165.062	189.954										
26	Total exposure on bank's insiders ratio N10.1	0	0	0	0	0	0					0	0				
27	Utilisation ratio of own funds (capital) for purchase of shares (interest) in other legal entities N12 (N23)	0	0	0	0	0	0					0	0				
28	Maximum risk exposure on a related party of the bank (group of related parties) N25	0	maximum	number of violations	Duration	maximum	number of violations	Duration	maximum	number of violations	Duration	maximum	number of violations	Duration	maximum	number of violations	Duration
			7.2			8.6			7.3			5.8			5.1		
29	Adequacy ratio of central counterparty total resources N20CP	0	0	0	0	0	0					0	0				
30	Adequacy ratio of central counterparty individual clearing collateral N20CP	0	0	0	0	0	0					0	0				
31	Central counterparty liquidity ratio N10CP	0	0	0	0	0	0					0	0				
32	Maximum concentration risk ratio N50CP	0	0	0	0	0	0					0	0				
33	Liquidity ratio of non-banking credit institution entitled to make transfers of funds without opening bank accounts and other related bank transactions N15.1	0	0	0	0	0	0					0	0				
34	Ratio of maximum exposure to customers included in settlements for completion of settlement N16	0	0	0	0	0	0					0	0				
35	Ratio of loans to borrowers other	0	0	0	0	0	0					0	0				

	than those involved in settlements, from non-banking settlement credit institution on their own behalf and for their own account NI6.1						
36	ratio of medium bill of exchange liability of non-banking settlement credit institution NI6.2	0	0	0	0	0	0
37	Minimum ratio of mortgage coverage and the volume of issue of mortgage-backed bonds NI8	0	0	0	0	0	0

Section 2. Information on calculation of the financial leverage ratio (NI.4)

Subsection 2.1 Calculation of the amount of balance sheet assets and off-balance liabilities at risk for calculation the financial leverage ratio (NI.4)

No.	Item	Notes	Amount thous. RUB
1	2	3	4
1	Total amount of the assets in accordance with balance sheet (published form)		80170097
2	Adjustment for investments in the capital of, credit, financial, insurance and other organizations, which reporting data are included in the consolidated financial statements but are not included in the (calculation of equity (capital), (mandatory ratios and amounts (limits) of open currency position of the banking group		not applicable for credit institution as a legal entity
3	Adjustments for fiduciary assets recognized in accordance with accounting rules, but not included in the calculation of the financial leverage ratio		0
4	Adjustment for derivative financial instruments (DFI)		0
5	Adjustment for securities lending transactions		0
6	Adjustment for aligning credit related commitments to credit equivalent		10616825
7	Other adjustments		1404482
8	Total amount of balance sheet assets and off-balance liabilities at risk used in calculation of the financial leverage ratio		89382440

Subsection 2.2. Calculation of the financial leverage ratio (NI.4)

No.	Item	Notes	Amount thous. RUB
1	2	3	4
Balance sheet assets risk			
1	Total amount of balance sheet assets		78789521.00
2	Deduction adjustment for the sum of items, which decrease the amount of the sources of primary capital		34449.00
3	Total amount of adjusted balance sheet assets at risk (the difference between the lines 1 and 2)		78755072.00
Risk from the transactions with DFI			
4	Total current credit risk on DFI transactions (net of variation margin)		0.00
5	Total potential credit risk per counterparty on DFI transactions		0.00

6	Adjustment in the sum of nominal value of the collateral on DEF transactions, to be written off from the balance sheet in accordance with the accounting rules	expressed
7	Deduction for the variation margin listed in prescribed cases	0.00
8	Adjustment regarding the bank's claims-clearing participant to the central counterparty for the execution of customer transactions	0.00
9	Adjustment to account for credit risk of basic assets under credit DEIs issued	0.00
10	Deduction for the issued credit DEIs	0.00
11	Total adjusted risk amount for DEIs (the sum of lines 4, 5, 9 less lines 7, 8, 10)	0.00
Risk from the securities lending transactions		
12	Total claims on securities lending transactions (without netting)	0.00
13	Adjustment in the sum of monetary value's netting (claims and obligations) on securities lending transactions	0.00
14	Credit risk exposure on a counterparty on securities lending transactions	0.00
15	Credit risk exposure on guarantee securities lending transactions	0.00
16	Total adjusted claims on securities lending transactions (the sum of lines 12, 14, 15 less line 13) :	0.00
Risk from credit related commitments (CRV)		
17	Total nominal risk amount for credit related commitments (CRV)	18826880.00
18	Adjustment regarding the use of credit equivalent factors	8209855.00
19	Total adjusted risk amount for credit related commitments (CRV) (difference between lines 17 and 18)	10618025.00
Risk capital		
20	Primary capital	11294637.00
21	Total amount of balance sheet assets and off-balance liabilities at risk for the calculation of the financial leverage ratio ((the sum of lines 3, 11, 16, 19)	89371897.00
Financial leverage ratio		
22	Financial leverage ratio of the bank (NL.4), banking group (R20.4), percentage (line 20 : line 21)	12.64

President

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Chief Accountant

N.V. Kuzmina

Telephone number: (495) 287-30-99
20.04.2021



Banking Statutory Financial Statements

Territory Code OKATO	Credit Institution's (Branch's) code	
	OKPO	Registration number (/index number)
45286580	83086298	3475

STATEMENT OF CASH FLOWS
(published form)
as at 01.01.2021

Credit institution: Bank IOBC (Joint Stock Company)/ Bank IOBC (JSC)

Address (location) of the credit institution: 29 Serebryanicheskaya Bldg, Moscow, 109029

Form Code by OKUD No.0409814
Quarterly (Annual)

No.	Caption	Notes	Cash flows for reporting period, thousand roubles	Cash flows for reporting period of prior year, thousand roubles
1	2	3	4	5
1	Net cash received from (used in) operating activities			
1.1	Total cash received from (used in) operating activities before changes in operating assets and liabilities, including:		-2247474	1635549
1.1.1	Interest received		2231492	2630521
1.1.2	Interest paid		-1053237	-1650491
1.1.3	Fees and commissions received		98612	99124
1.1.4	Fees and commissions paid		-24251	-41053
1.1.5	Net income from transactions with financial assets measured at fair value through profit or loss, through other comprehensive income		-2436813	1258302
1.1.6	Net income from transactions with securities measured at amortised cost		0	0
1.1.7	Net income from transactions with foreign currency		-63467	425579
1.1.8	Other operating income		23676	30957
1.1.9	Operating expenses		-853877	-842830
1.1.10	Tax expenses (reimbursement)		-169609	-274560
1.2	Total increase (decrease) of net cash from operating assets and liabilities, including:		12267263	-3695522
1.2.1	Net increase (decrease) of obligatory reserves on accounts in the Central Bank of the Russian Federation		-222798	158426
1.2.2	Net increase (decrease) of financial assets measured at fair value through profit or loss		0	0
1.2.3	Net increase (decrease) of loans receivables		-1649299	-3014161
1.2.4	Net increase (decrease) of other assets		-100490	-22181
1.2.5	Net increase (decrease) of loans, deposits and other funds of the Central Bank of the Russian Federation		0	0
1.2.6	Net increase (decrease) of amounts due to other credit institutions		2276148	-5902854
1.2.7	Net increase (decrease) of amounts due to customers other than credit institutions		11282774	5019889
1.2.8	Net increase (decrease) of financial liabilities measured at fair value through profit or loss		0	0
1.2.9	Net increase (decrease) of debt issued		0	0
1.2.10	Net increase (decrease) of other liabilities		680928	65359
1.3	Total for section 1 (line 1.1 + line 1.2)		10019789	-2059973
2	Net cash received from (used in) investment activities			
2.1	Purchase of financial assets measured at fair			

	value through other comprehensive income		0	0
2.2	Proceeds from sale and redemption of financial assets measured at fair value through other comprehensive income		0	0
2.3	Purchase of securities measured at amortised cost		-7896566	-7354597
2.4	Proceeds from redemption of securities measured at amortised costs		7242382	7895620
2.5	Purchase of fixed assets, intangible assets and inventories		-8848	-2464
2.6	Proceeds from sale of fixed assets, intangible assets and inventories		0	-106
2.7	Dividends received		0	0
2.8	Total for section 2 (sum of lines from 2.1 to 2.7)		-663032	538453
3	Net cash received from (used in) financial activities			
3.1	Contributions of shareholders (participants) into the share capital		0	0
3.2	Purchase of treasury shares		0	0
3.3	Proceeds from sale of treasury shares		0	0
3.4	Dividends paid		-1176742	-719966
3.5	Total for section 3 (sum of lines from 3.1 to 3.4)		-1176742	-719966
4	Effect of foreign exchange rates changes set by the Central Bank of the Russian Federation, on cash and cash equivalents		3385889	-965961
5	Increase (decrease) of cash and cash equivalents	7.4	11565904	-3207447
5.1	Cash and cash equivalents as at the beginning of the reporting year		7708309	10915756
5.2	Cash and cash equivalents as at the end of the reporting period	7.4	19274213	7708309

President

Chief Accountant

Telephone number: (495) 287-30-99
20.04.2021



Li Wencong

N.V. Kuzmina



Bank ICBC (Joint Stock Company)

(Bank ICBC (JSC))

**EXPLANATORY NOTES
to Annual Financial Statements
for the year 2020**

These explanatory notes are an integral part of the annual financial statements of Bank ICBC (Joint-Stock Company) (the “Bank”) as at 1 January 2021 and for the year 2020. Explanatory notes has been prepared in accordance with the requirements of the Central Bank of the Russian Federation (the “Bank of Russia”) Ordinance dated November 27, 2018, No.4983-U “On the Forms, Procedure and Timeframe for Disclosing Information on Activities by Credit Institutions” (the “Bank of Russia Ordinance No.4983-U”).

These explanatory notes include information on events and transactions that are essential for understanding the changes in the financial position and financial performance of the Bank for the year 2020.

Explanatory notes to the annual financial statements of the Bank is presented in Russian roubles and rounded to the nearest thousand.

1. Significant information about the credit organisation

1.1 Information about the credit organisation

The full legal name of the Bank: Bank ICBC (Joint Stock Company); the short name: Bank ICBC(JSC).

The Bank is registered at: 29 Serebryanicheskaya Embankment, Moscow, 109028, Russian Federation.

The Bank’s actual address is: 29 Serebryanicheskaya Embankment, Moscow, 109028, Russian Federation.

The primary state registration number (FTS of Russia): 1077711000157.

The date of the entry in the Unified State Register of Legal Entities - August 30, 2007.

The Bank was established as a Russian bank with 100% foreign capital.

The Bank’s sole founder and shareholder is the largest bank of the People’s Republic of China and a leading world bank - JSC Industrial and Commercial Bank of China Limited (ICBC), the ultimate controlling party of which is the People’s Republic of China represented by the Ministry of Finance of the PRC.

The Bank operates under the Federal Law No. 395-1 “On Banks and Banking Activities”, dated 2 December 1990.

The Bank is not a member of either the banking (consolidated) group or the banking holding, the definition of which is given in Federal Law No. 395-1.

The Bank has a general banking license with funds in roubles and foreign currency, including the right to carry out operations with precious metals (general license No. 3475 issued by the Bank of Russia to Bank ICBC (JSC) on January 26, 2018).

The Bank is a member of the state deposit insurance system and is registered under the number 1009.

In addition to the banking license the Bank also has the following licenses:

Issuing authority	License type	Issue date	Number	Validity term
Central Bank of the Russian Federation	License of a professional participant of the securities market for brokerage operations	August 18, 2016	№045-13990-100000	Unlimited
Central Bank of the Russian Federation	License of a professional participant of the securities market for depositary operations	August 18, 2016	№045-13992-000100	Unlimited
Central Bank of the Russian Federation	License of a professional participant of the securities market for dealing operations	August 18, 2016	№045-13991-010000	Unlimited

The Bank is an operator of the ICBC payment system (the registration number is 0040, assigned by the Bank of Russia on June 3, 2015).

The Bank is also:

- A participant of the MICEX currency market SELT section;
- Acting as a market maker for the Yuan/Rouble pair;
- A participant of the following settlement systems: S.W.I.F.T.: ICBKRUMM REUTERS-DEALING: DICB.
- A member of the National Financial Association, Self-Regulatory Organisation (NFA SRO).

As at 1 January 2021 a Russian rating agency Expert RA has assigned the Bank a credit rating of ruAA, outlook – Stable.

1.2 Separate subdivisions and internal structural subdivisions of the Bank

The Bank has a branch in Saint Petersburg – a branch of Bank ICBC (Joint-Stock Company) in Saint Petersburg. The Branch is registered at: 12-14 Litera A, Khersonskaya Street, Saint-Petersburg, 191024, Russian Federation.

The Bank also has one internal structural subdivision:

- Supplementary office “GREENWOOD”: building 17, Greenwood, 69th km of MKAD, Putilkovo settlement, Krasnogorsky District, Moscow Region, 143441, Russian Federation.

1.3 Reporting period and units of measurement of annual financial statements

The reporting period is from January 1, 2020 to December 31, 2020.

The annual financial statements are presented in the national currency of the Russian Federation.

The official exchange rates of the Bank of Russia as at 31 December 2020 and 31 December 2019 used to revalue the account balances in foreign currency are as follows:

	31.12.2020	31.12.2019
US dollar (USD)	73,8757	61,9057
Euro (EUR)	90,6824	69,3406
Chinese Yuan (CNY)	11,3119	8,8594
Singapore dollar (SGD)	55,7510	45,8799
10 Hong Kong dollars (HKD)	95,2915	79,5049

These annual financial statements are presented in thousands of Russian roubles (“thousand roubles”), unless otherwise indicated.

2. Brief overview of Bank’s activities

2.1 Nature of transactions and principal activities

In accordance with the Federal Law No. 395-1 “On Banks and Banking Activity” dated December 2, 1990 as subsequently amended, as well as on the basis of general banking license issued by the Bank of Russia, the Charter of the Bank, resolutions of the Management Board and other regulations of the Russian Federation, the Bank performs the following operations:

- opening of the bank accounts of legal entities in the currency of the Russian Federation and foreign currency and comprehensive maintenance thereof;
- providing cash services for legal entities (including cash collection);
- legal entities deposit taking (on demand and for a specific term) subject to guaranteed repayment and serviceability;
- lending to legal entities, including participation in syndicated lending subject to maturity, serviceability and repayment;
- placement of attracted funds in securities (bonds) issued by residents and non-residents;
- trade financing;
- settlements on behalf of correspondent banks on their bank accounts;
- interbank lending;
- foreign exchange trading on a cash and non-cash basis;
- currency control agent functions by the Bank;
- issuing bank guarantees and letters of credit;
- professional services at the securities market;
- individuals deposit taking (on demand and for a specific term);
- placement of attracted funds of individuals (on demand and for a specific term) on its behalf and for its own account.

The Bank’s principal activities remain the provision of banking services to corporate customers of different industrial economic sectors, development of Russian-Chinese trade relations, as well as the development of modern banking products and technologies.

For the further development the key Bank’s objectives is an achievement of a high-quality and differentiated loan portfolio consisting mainly of the largest Russian borrowers and Chinese companies operating in the Russian market, as well as the increase in investments in securities, which will be one of the long-term sources of the Bank’s revenue.

2.2 Key performance indicators and factors that influenced the Bank's financial performance in the reporting year

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

	as at 1 January 2021 RUB'000	as at 1 January 2020 RUB'000
Carrying amount of assets	80,170,097	59,732,585
Net loan debt measured at amortised cost	48,334,122	40,911,481
Net investments in securities measured at amortised cost	10,106,548	9,098,615
Amounts due to credit institutions	30,816,306	24,185,140
Amounts due to customers other than credit institutions	35,471,260	22,548,224
<i>Including deposits (funds) of individuals and individual entrepreneurs</i>	<i>51,515</i>	<i>51,674</i>
Income of the Bank	112,840,840	57,611,872
Expenses of the Bank	(111,973,551)	(56,373,196)
Profit/ (loss) for the reporting period	867,289	1,238,676

At the end of the reporting year the Bank retained its position, remaining in TOP 100 largest banks in Russia in terms of net assets and net profit.

According to the results of the year 2020 the Bank received a net profit in the amount of 867,289 thousand roubles. This indicator is 30% lower than in previous year (2019: 1,238,676 thousand roubles).

The Bank's positive financial result for 2020 was mostly impacted by interbank lending and loans to the Bank's corporate clients, as well as currency revaluation.

The COVID-19 pandemic had a significant impact on the volume and structure of the Bank's loan operations. The demand for documentary operations has declined significantly and the Bank has therefore reallocated assets to interbank lending.

The increase in the resource base was mainly due to the attraction of funds for customer deposits, as well as the attraction of funds to the current and correspondent accounts of the Bank's customers.

The structure of Bank's significant income and expenses represented its activities for 2020 and 2019 are the following:

	2020 RUB'000	2019 RUB'000
Net interest income (negative interest margin)	1,308,099	1,137,417
Net income from transactions with financial assets at fair value through profit or loss	(2,436,813)	1,258,302
Net income from transactions with foreign currency and foreign exchange revaluation	3,050,711	(482,656)
Net fee and commission income (expenses)	74,361	58,071
Operating expenses	964,046	865,124
Change in allowance for impairment and allowance for expected credit losses	55,250	181,281

2.3 Business environment

The Russian banking sector has generally shown a very high growth rate in 2020.

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

According to the Bank of Russia, banks' assets increased by 12.5% in 2020, subject to the impact of currency revaluation, and amounted to 103,8 trillion roubles.

The high rate of asset growth in 2020 is largely due to economic support measures because of the coronavirus, as well as debt financing of the budget deficit.

The growth rate of retail lending slowed significantly in 2020. Real retail lending increased by 12.8% in January-November. For comparison, in the first 11 months of 2019 and 2018, the increases were 17.4% and 20.9% respectively.

The decrease is mainly due to the slowdown in unsecured consumer lending, where the highest risks are concentrated. The biggest increase in issuance took place in March, due to an increase in demand before the introduction of quarantine. There was a decrease in retail lending in April and May, mainly due to the isolation measures introduced and restrictions on bank branch operations. After passing the peak of the crisis, banks stepped up their retail lending, with an active build-up of retail loan portfolios between July and October.

Mortgages remain the main driver of growth in the retail loan portfolio, both due to the popularity of preferential programmes and the general decrease in interest rates.

Corporate lending, on the other hand, increased very rapidly in 2020. According to the statistics, the bank's portfolio of loans to legal entities in January-November increased by 9.2%, compared to an increase of 4.5% in the same period a year earlier. On a rolling 12-month period, corporate lending increased by 10.1 % in real terms as of 1 December, compared to 5 % as of 1 December 2019. The acceleration in corporate lending was associated with business support measures due to the coronavirus, as well as a reduction in interest rates in the economy following the reduction in the key rate.

The passive base of the Russian banking sector in 2020 was characterised by relatively high real growth rates in corporate funds and moderate growth in individual deposits. Funds in corporate accounts increased by 11% in real terms over the first 11 months, while retail deposits increased by +2.1%. By contrast, retail deposits increased faster than corporate funds in 2019 (6% versus 3.5%). Thus, the current year has seen a substitution of funds from households with funds from corporate clients in the banking system. The low growth rate of household deposits can be explained by two factors. Firstly, during the coronavirus pandemic, remote working and restrictions meant that many people faced a reduction in their income. Secondly, due to falling interest rates on deposits, people are actively looking for alternative ways to save funds (life insurance, stock market, real estate and other ways).

The liquidity situation in the banking sector has deteriorated markedly, with the structural rouble liquidity surplus shrinking to RUB 0.2 trillion at year-end, according to the Bank of Russia. This is primarily due to an increase in the issue of cash. The Russians in the middle of the crisis have stockpiled cash for a period of quarantine and possible financial uncertainty.

Highly liquid rouble assets amounted to 15.3 trillion roubles at the end of the year. A large part of it is in marketable assets, against which banks can obtain funds from the Bank of Russia if necessary. The highly liquid foreign currency assets of the country's banking system amounted to \$46.7 billion, which is sufficient to cover 15% of all liabilities in foreign currency.

Despite the coronavirus, banking sector profits in 2020 were quite high at 1.6 trillion roubles, which compares with the result in 2019 (2 trillion roubles). In 2019, however, profit was partly shown as a consequence of the application of IFRS 9 adjustments by banks, so the overall financial result of the banking sector for 2020 is very good. 75 banks reported a loss in 2020. At the same time, the share of assets of profitable banks is 98% of the total assets of the banking system, i.e. small banks were mostly unprofitable.

In general, Russia's banking sector saw sharp fluctuations in a number of important performance indicators over the year 2020. This was due to the extremely difficult operating conditions for banks and their customers during the quarantine period.

However, the Russian banking sector continued to provide settlements and all kinds of banking services to businesses and households even during the most acute economic crisis caused by the COVID-19 pandemic, under very difficult conditions. This achievement was certainly the result of both the hard work of bankers and the very prompt response to the crisis by the Bank of Russia.

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

The key rate is the main indicator of monetary policy and the main instrument of the Central Bank that determines the cost of credit. The lower the rate, the more accessible borrowing is, especially for small and medium-sized businesses. Cheap credit resources contribute to increased economic activity. After the pandemic, the Russian economy is critically lacking in support. The government is trying to launch economic growth with the available funds.

A policy of encouraging interest rates would make it cheaper to service the national debt, provide an opportunity to refinance loans for businesses and citizens, and encourage mortgage programmes.

Inflation gave a jump by the end of 2020, increasing to 5.2% in January 2021. The higher inflation rate was largely due to the transfer of the weaker rouble and higher prices on world commodity markets, as well as to higher food prices.

As for global markets, the pandemic and its associated restrictions have affected the entire global economy, but with different intensity and budgetary implications. Most importantly, official interest rates in developed economies have fallen to zero or fallen into negative territory and in developing economies they have fallen sharply. This allowed financial markets to stabilise fairly quickly and enabled the build-up of public debt needed for economic support programmes and compensation for quarantine victims in key countries around the world.

The relative stabilisation of the largest economies and the beginning of China's exit from quarantine restrictions have helped to improve the external background for the Russian economy - oil prices have returned from annual lows, and with the implementation of the OPEC+ agreement there is a high probability that they will reach levels sufficient to implement the "budget rule".

Trade with China is recovering. Chinese exporters are already actively trying to expand business, while in many other countries businesses are still constrained by quarantine restrictions. Increased trade with China, due to its rapid post-pandemic recovery, 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 environment, as well as the impact of the COVID-19 pandemic on the financial markets, the Bank's Management is taking all necessary and appropriate measures to maintain the Bank's economic sustainability in the current environment.

In order to reduce regulatory risks due to exchange rate volatility, the Bank's Management decided to use in the period from 27 March to 30 September 2020 inclusive the easing measures adopted by the Bank of Russia and published in information letter No. IN-01-41/21 dated 20.03.2020.

In accordance with this letter, transactions in six foreign currencies (USD, EUR, GBP, CHF, JPY, CNY) were taken by the Bank to calculate mandatory ratios N6, N7, N25 at the official foreign currency to rouble exchange rate set by the Bank of Russia as at 1 March 2020.

Also, in order to ensure business continuity and to keep the Bank and its staff running smoothly, the Bank's management decided at the beginning of 2020 to switch to a shift work mode. Despite this fact and the difficult economic environment in which the Bank operated, it achieved a positive financial result in 2020.

2.4 Information on the prospects of credit institution's development

In the nearest time Bank will adhere to the developed and approved Strategy of Development of Bank ICBC (JSC) for 2019-2021.

The Bank's main strategic goal is to consolidate its leadership among Chinese commercial banks in Russia and become a leading provider of financial services for economic activities between Russia and China, for belt-road projects and for yuan-based businesses.

To achieve these goals, continuous improvement and ensuring effective risk control and high standards are a priority. Several other main development strategies are differentiation, localisation, integration and synergy. The Bank does not intend to become a universal bank and compete with local banks.

The bank will focus on its niche market, where it will develop its competitiveness. The bank plans to develop more in terms of expanding its client business, working with new businesses and generating revenues for the local Russian market. The bank is part of the ICBC Group's global integration service for valued clients and will improve the integration of its services to better leverage ICBC Group's powerful service mechanism for its clients.

The bank continually develops the measures necessary to achieve its objective through short-, medium- and long-term planning. The Bank has a license of the Bank of Russia to raise funds of individuals to deposits in roubles and foreign currency, obtained the status of a clearing house for transactions in yuan in the Russian Federation, has licenses of a professional securities market participant for brokerage, dealing and depository operations.

In order to develop further and to strengthen its market positions, the Bank decided that in 2019-2021, following tasks should be completed:

1. Expansion and diversification of the corporate customers base;
2. Expansion of the range of services provided to corporate customers (development of new and improvement of existing products while flexibly fitting into market requests), including certain individual products for employees of corporate customers;
3. Maintenance of risk management and internal control in order to control significant risks and keep them at an acceptable level;
4. Improving IT infrastructure, operational efficiency and rigorous system control over compliance risks, especially in AML and sensitive business areas;
5. Improving the Bank's ability to manage in order to ensure a quick response to changing market conditions.

A key factor in the success of the Bank in achieving its goals is the quality of the services provided.

A possible negative factor, in the Bank's view, is the continued likelihood of new international sanctions against Russia, especially in relation to sovereign debt. Bank ICBC (JSC) is a subsidiary of ICBC Group, the world's leading bank, making compliance with international laws and regulations, including sanctions, a prerequisite for the group's worldwide operations.

China and Russia continue to deepen their comprehensive strategic partnership, strengthen cooperation and policy coordination in the economic and financial fields, jointly promote local currency settlement and yuan internationalisation in order to create a more favourable environment for the development of Chinese banks operating in Russia.

Despite the sanctions imposed on Russia, the Russian Federation is one of the world's leading economic powers, the largest contiguous state with China and the most important node in the One Belt, One Road project. Russia and China have strong economic complementarities, a market for investment in construction and other infrastructure projects, and new projects in many industries, which constitute a real large market for the Bank with great development potential.

Nevertheless, the development of the Bank's activities in the near term will be a challenge, due to the continued effect of international sanctions on Russia, the impact of the COVID-19 pandemic, and internal economic structural changes, including changing regulatory requirements.

The management of the Bank takes all necessary and appropriate measures to maintain the economic stability of the Bank under the current conditions and believes that the Bank has the potential for further normal functioning thereof. The core competencies of the Bank and applicable credit policy allows building the long-term business relationships with major counterparties and provide conditions for the Bank's continued operations.

For this purpose, the Bank has implemented the possibility of employees to carry out their labour functions remotely, outside a stationary worksite, territory or facility, directly or indirectly controlled by the Bank using the public information and telecommunication networks, including Internet.

2.5 Decisions on profit distribution further to review of the annual financial statements

As at the date of signing the annual financial statements, the Board of Directors of the Bank has not made recommendations on the amount of dividends for the year 2020.

Dividends for the year 2019 paid in 2020 amounted to 1,176,742 thousand roubles (2,721.55 roubles per 1 share).

3. Brief overview of the Bank' accounting policy

3.1 Basis of preparation of financial statements

The Bank's accounting complies with the requirements of the Bank of Russia Regulation No. 579-P dated February 27, 2017 "On the Chart of Accounts at Credit Institutions and the Procedure for Its Application" (as amended and supplemented) (the "Bank of Russia Regulation No. 579-P") and other regulatory documents of the Bank of Russia.

The Bank's annual financial statements are prepared in accordance with the Ordinance of the Bank of Russia dated September 4, 2013 No. 3054-U "On the Procedure for Preparation of Annual Financial Statements by Credit Institutions" (the "Ordinance of the Bank of Russia No. 3054-U") and Ordinance of the Bank of Russia No. 4983-U.

This is the first set of the Bank's annual financial statements, in preparation of which the Bank of Russia regulations are applied that regulate the procedures of accounting and recognition in the annual financial statements of lease contracts and are developed on the basis of the requirements of IFRS 16 *Leases* ("IFRS 16"). Changes to significant accounting policies are described in Note 3.2.

In accordance with the Ordinance of the Bank of Russia No. 3054-U the Bank has carried out all the necessary preparatory work in order to prepare the annual financial statements for the year 2020, so that the financial statements reflect the actual assets, claims and liabilities of the Bank. The Bank has carried out an inventory count of its assets as at November 1, 2020, and an inventory count of its claims and liabilities as at December 1, 2020. The cash revision was prepared as of the end of business day December 31, 2020. According to the results of inventory count there were no surplus or shortage.

As at 1 January 2021 the Bank received written confirmations of balances on the opened correspondent accounts from credit institutions and non-resident banks. The procedure of receiving confirmations of balances on the opened accounts of legal entities will continue until received.

3.2 Principles and methods of assessment and accounting of significant operations and events, recognition of revenue, including methods of determine the level of completion of operations for service rendering

In its activity the Bank is guided legislation of the Russian Federation, regulations of the Russian Government, instructions and recommendation of the Bank of Russia, the Federal Tax Service and the Bank's Accounting Policy for 2019 (approved by Order No. 274 dated 29 December 2018 and Order No. 119 dated 1 July 2019 (as amended)).

The Bank's accounting complies with the following regulatory documents of the Bank of Russia:

- Bank of Russia Regulation No. 579-P, dated 27 February 2017, "On the Chart of Accounts at Credit Institutions and the Procedure for Its Application" (as amended and supplemented) (the "Bank of Russia Regulation No. 579-P");

- Bank of Russia Ordinance No. 4556-P, dated 2 October 2017, "On Amending Bank of Russia Regulation No. 446-P, Dated 22 December 2014, "On the Procedure to Determine Credit Institutions' Revenues, Expenditures and Other Comprehensive Income";

- Bank of Russia Ordinance No. 4611-U, dated 16.11.2017, "On Amending Bank of Russia Regulation No. 372-P, Dated 4 July 2011, "On the Procedure for Accounting Derivatives" (the "Bank of Russia Regulation No. 372-P");

- Bank of Russia Regulation No. 604-P, dated 2 October 2017, "On the Procedure for Credit Institutions to Account Transactions to Raise Funds under Bank Deposit Agreements and Loan Agreements, and Transactions to Issue and Redeem Bonds, Promissory Notes, Deposit and Savings Certificates" (the "Bank of Russia Regulation No. 604-P");

- Bank of Russia Regulation No. 605-P, Dated 2 October 2017, "On the Procedure for Credit Institutions to Account Transactions to Place Funds under Loan Agreements, Transactions to Purchase Receivables from Third Parties Related to the Performance of Cash Liabilities, Transactions Related to

Liabilities under Bank Guarantees Issued and Funds Provision” (the “Bank of Russia Regulation No. 605-P”);

- Bank of Russia Regulation No. 606-P, dated 2 October 2017, “On the Procedure for Credit Institutions to Account Securities Transactions” (the “Bank of Russia Regulation No. 606-P”).

- Bank of Russia Regulation No. 659-P dated 12 November 2018 on the accounting treatment of lease contracts by credit institutions (the “Bank of Russia Regulation No. 659-P”).

In accordance with the requirements of the Bank of Russia and accounting policy for the year 2020 the applied accounting policies for operations in 2020 are consistent with those applied in all periods presented in these annual financial statements, except for the changes described in Note 3.2.

Assets are initially recognised at cost. Subsequently, assets are measured (remeasured) at fair value, at cost or by recognition of impairment allowance in accordance with regulatory legal acts of the Bank of Russia.

Liabilities are recognised in accordance with the terms of the contracts in order to ensure control of completeness and timeliness of its fulfilment. In cases established by the regulatory legal acts of the Bank of Russia the liabilities are also remeasured at fair value.

Cash and cash equivalents

For the purposes of the annual financial statements cash and cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise the following balance sheet (published form) items: Cash, Amounts due from the Central Bank of the Russian Federation (except the obligatory reserves and security deposit of the payment system operator), Amounts due from credit institutions (except for assets with the risk of losses). Obligatory reserves in the Bank of Russia and security deposit of the payment system operator are not considered as cash and cash equivalents due to restrictions on its use.

Classification of financial assets

After initial recognition the financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, based on:

- the business model used by the Bank to manage financial assets,
- characteristics of a financial asset associated with the contractual cash flows.

Financial assets are measured by the Bank at amortised cost if both of the following conditions are met:

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

Financial assets are measured by the Bank *at fair value through other comprehensive income* if both of the following conditions are met:

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

Financial assets are measured by the Bank *at fair value through profit or loss* unless they are measured at amortised cost or at fair value through other comprehensive income.

On initial recognition of a financial assets the Bank may irrevocably designate it as measured at fair value through profit or loss that otherwise meets the requirements to be measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

Classification of financial assets by the Bank is based on the principles of IFRS 9 prior to signing the relevant contracts and determines an objective of their acquisition and recognition (determination of a business model).

Business model reflects a method that the Bank uses to manage its financial assets in order to generate cash flows, i.e., the Bank determines whether the cash flows will be resulted from receiving the contractual cash flows or sale of financial assets or both.

The Bank makes an assessment of the objective of the business model in which a financial 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 includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including 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 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.
- 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 performance of which 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.

A change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations.

These changes are expected to happen rarely. Such changes are determined by the Bank's top management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. Therefore, a change in the Bank's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank has acquired, disposed of or terminated a business line.

For the purposes of classification of financial assets, the Bank assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion, on the results of which an asset may be classified into any of three categories of financial instruments.

SPPI-test reflects characteristics of cash flows from financial assets approved in a respective contract. If contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), a SPPI-test is considered as passed, otherwise a financial asset does not meet the SPPI criteria.

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 and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin that meets the terms of a basic loan agreement.

The Bank makes assessment of a loan agreement 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 revision of interest rates.

The Bank classifies financial assets that do not meet the SPPI-test criteria as financial assets at fair value through profit or loss.

Classification of financial liabilities

Subsequent to initial recognition according to the Bank of Russia Regulation No. 604-P financial liabilities are measured by the Bank at amortised cost, with the exception of cases established by IFRS 9.

Subsequent to initial recognition the Bank classifies liabilities arising under the bank guarantees issued for the purposes of accounting in accordance with paragraph 4.2.1 of IFRS 9 as follows:

- bank guarantees issued, except for financial guarantee contracts, are measured at amortised cost;
- financial guarantee contract is measured at greater of amount of allowance for expected credit losses and initially recognised amount.

In accordance with clause 1.5 of the Bank of Russia Regulation No. 605-P, for the purpose of accounting the value of liabilities on bank guarantees issued is estimated:

- at last calendar day of the month;
- in case of significant change of the value of liability on a bank guarantee issued during a month - as at the date of performance of liabilities on bank guarantees issued or as at the date of change of limit on issue of bank guarantees in cases of signing a bank guarantee agreement (contract) with a customer, which provides for payment under a bank guarantee by instalments as part of the established limit.

Financial liabilities are not reclassified subsequent to their initial recognition.

Recognition of financial instruments and measurement at initial recognition

Financial assets and liabilities are recorded when the Bank becomes a party to the contractual provisions of the financial instrument.

In accordance with the Bank of Russia Regulation No. 606-P, all standard purchases of securities are recognised as at the date of settlements.

At initial recognition, a financial asset or financial liability is measured at fair value, increased or decreased in the case of a financial asset or financial liability not measured at fair value through profit or loss, by the amount of transaction costs that directly relate to the acquisition or issue of the financial asset or financial liability. Fair value of financial instruments is determined in accordance with IFRS 13 Fair Value Measurement ("IFRS 13").

Effective interest rate (EIR)

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that is used to discount estimated future cash receipts through the expected life of the financial asset or financial liability to the current amortised cost of the financial asset or the financial liability.

Amortised cost

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 minus 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 (Annex A to IFRS 9).

In accordance with clause 1.8 of Bank of Russia Regulation No. 605-P the amortised cost of assets is determined using a straight-line method or EIR method in accordance with IFRS 9.

The Bank applies a straight-line method in the following cases:

- when a financial instrument maturity is less than one year at initial recognition, including financial instruments, the date of maturity (return) of which falls on another financial year; or
- when a difference between amortised cost of financial instrument determined using EIR method, and amortised cost of financial instrument determined using a straight-line method is not significant.

Materiality criteria has been determined at the level not exceeding 10%.

Amortised cost of financial assets or financial liability is determined at least once per month as at the last calendar day of the month as well as at the date of complete or partial repayment (return), including early repayment of financial assets and financial liability.

Gross carrying amount of a financial asset measured at amortised cost is the amortised cost of the financial asset before adjustment for the amount of expected credit losses allowance.

Interest income and expense

Interest income on placed cash and debt securities, as well as interest expense on cash due to individuals and legal entities, debt securities issued with maturity of more than one year at the time of initial recognition are accounted for using an effective interest rate (EIR), if difference between amortised cost of financial instruments determined using EIR method and their amortised cost determined by a straight-line method is significant.

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 financial asset is no longer credit-impaired, then the calculation of interest income reverts to the gross carrying amount.

For financial assets that were credit-impaired upon 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.

Fair value measurement principle

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

The Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received.

Fair value of securities classified at initial recognition as measured subsequently at fair value through profit or loss, is determined:

- at the last business day of the month as of the last calendar date of the month;
- in case of significant change of fair value of securities during a month (by more than 10%);
- if during the month there were transactions with securities of this issue (this issuer); and in this regard all securities of this issue (this issuer) measured at fair value through other comprehensive income are subject to revaluation as at the transaction date;
- as at the date of derecognition of securities.

The fair value of the DFIs is measured and accounted for on the last business day of the month, as of the date of derecognition of the DFIs and as of the date of origination of claims and (or) obligations to make interim payments in accordance with the contract terms.

Profit and loss on subsequent measurement

Profit or loss on financial assets and liabilities measured at amortised cost is recognised as follows:

- profit or loss in case of derecognition of a financial assets or liability;
- operating income or expenses, or impairment of financial assets;
- corresponding item to reflect change in allowance for impairment and allowance for expected credit losses; and
- in the process of accruing appropriate depreciation/amortisation in corresponding interest income or expense.

Profit or loss from translation of balances in foreign currency are recognised in net income from revaluation of foreign currency.

Profit or loss arising from a change in the fair value of a financial asset or liability are recognised as follows:

- profit or loss on a financial instrument measured at fair value through profit or loss is recognised in net income from transactions with financial assets measured at fair value through profit or loss, or net income from transactions with financial liabilities measured at fair value through profit or loss, except for the interest income or interest expense recognised in interest income or interest expense respectively.

Derecognition of financial instruments

According to Bank of Russia Regulation No. 606-P, a security is written off when the Bank transfers the rights of it, security is repaid or it is impossible to exercise the rights vested in security, and in cases provided in paragraph 3.2.3 of IFRS 9. According to paragraph 3.2.3 of IFRS 9 the Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the balance sheet (published form).

The Bank sets a method of measurement of the value of securities disposed (sold) using FIFO method.

Acquisition (transfer) of the title to securities under transactions carried out on terms of maturity, repayment and payment of interest does not serve as a basis for initial recognition (derecognition) of securities, if it does not result in transfer of all risks and awards (or significant portion thereof) associated with holding of security transferred.

Under the reverse repurchase agreements where the Bank acts as an initial purchaser of securities, the Bank does not recognise risks and awards associated with holding of these securities. Securities received under the first part of a reverse repurchase agreement are accounted for without recognition thereof as the Bank's assets and are accounted for in off-balance sheet accounts. Cash paid under the first part of reverse repurchase agreement is recognised on the balance sheet accounts intended for accounting of other funds placed.

Under REPO agreements where the Bank is an initial seller of securities, the Bank recognises risks and awards associated with holding of these securities; transfer of securities under REPO is carried out without derecognition thereof as the Bank's assets. Cash received under the first part of REPO agreement is recognised on the balance sheet accounts intended to account got other funds raised.

According to the Bank of Russia Regulations No. 604-P and 605-P, financial instruments or their part specified in the Regulations are derecognised in case of complete (partial) repayment and as a result of assignment/sale.

Write-offs

The Bank writes off bad debts on loans against the created allowances for expected credit losses for the respective loan. Simultaneously the Bank writes off accrued interest related to bad debts on loans.

When the bad debt and interest on loans is written off, the Bank takes all necessary and sufficient legal and actual measures to recover this debt, a possibility of which arises from the law, business practice or contract.

Debt other than debt on loans is recognised as bad debt and written off by the Bank in the same manner.

Modification of financial instrument

If modification of cash flows provided by the terms of a financial instrument not measured at fair value through profit or loss, results in derecognition of this financial instrument in accordance with IFRS 9 and recognition of a new financial instrument, the Bank recalculates EIR.

If modification of cash flows provided by the terms of a financial instrument not measured at fair value through profit or loss, does not result in derecognition of this financial instrument in accordance with IFRS 9, the Bank recalculates a carrying amount of financial instrument (net of allowance for expected credit losses as related to financial assets) by discounting modified contractual cash flows at original effective interest rate and recognises profit or loss in operating income or operating expenses.

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. The modification is substantial if the present value of cash flows remained after modification differs by more than 10% of the present value of future cash flows before modification. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were 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. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

When recognising a new financial asset, the Bank recalculates an EIR. Further accounting is maintained using a new EIR. In addition:

- a new interest rate is compared with fair value interest rate. If conditions differ from fair value terms the fair value adjustment is made;
- testing for credit impairment.

Modification is substantial as a result of the following qualitative factors:

- change of the financial asset currency;
- change in collateral or other credit enhancement;
- change of terms of a financial asset that lead to non-compliance with the SPPI criterion (e.g. inclusion of conversion feature).

Changes in cash flows on existing financial assets are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the Bank of Russia key rate, if the loan contract entitles the Bank to do so.

If the modification of a financial asset does not result in derecognition of the financial asset, then the Bank recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. The modification is substantial if the present value of cash flows remained after modification differs by more than 10% of the present value of future cash flows before modification.

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.

Modification is substantial as a result of the following qualitative factors:

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

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in operating income or operating expenses.

Impairment

In accordance with IFRS 9 Financial Instruments the Bank recognises an allowance for expected credit losses on financial asset measured at amortised cost and at fair value through other comprehensive income, on financial guarantees issued and loan commitments issued.

Bank guarantees which are out of scope of IFRS 9 are measured in accordance with the Chapter 3 of the Bank of Russia Regulation No. 605-P, and in this case such bank guarantees are assessed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

According to IFRS 9 impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months ('12-month ECL') or expected credit losses resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1' financial instruments.

Financial instruments other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of expected credit losses

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

- financial assets that are not credit-impaired at the reporting date: as 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);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate on a financial asset;
- for the bank guarantee contracts, cash shortfalls are the expected payments that compensate a holder of an instrument the losses that a holder incurs, less the amounts that the Bank expects to receive from a holder, debtor or any other party. If a guarantee covers an asset in full, assessment of cash shortfalls for a bank guarantee contract will correspond to assessment of cash shortfalls for an asset, which is a subject of guarantee.

Credit-impaired financial assets

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 events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract such as a default or past due event;
- the lender(s) granting a concession(s) to its (their) borrower due to economic reasons or contractual terms related to the financial difficulties of that borrower and which the lender(s) would not have granted otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a significant discount that reflects the incurred credit losses.

The acquired claims for which as at the date of initial recognition there is observable evidence of credit impairment, are credit-impaired at initial recognition.

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 does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating 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 calculating the cash shortfalls from 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.

Inputs, assumptions and techniques used for estimating impairment

Definition of default

Default is a counterparty's failure (due to inability or unwillingness) to meet the terms and conditions of a loan agreement or market transaction.

The Bank considers a financial asset to be in default when:

- Any material credit obligation to Bank that is past due more than 90 days;
- creation of the ground for acknowledging of a substantial deterioration of the quality of the credit claim, after which the bank shall write off funds or form a reserve, including cases when the financial standing of the borrower is assessed as bad and, at the same time, the credit claim is referred to the IV or V quality category in accordance with Regulations of the Bank of Russia No. 590-P. The circumstance is not to be applicable to cases, when the borrower is referred to the V quality category by the results of assessment of the credit claim before the maturity of the interest and/or the amount of principal receivable defined by the agreement, when the debt servicing at the assessment of financial standing of the borrower as bad can only be assessed as unsatisfactory;

- restructuring due to the borrower's inability to perform its credit commitments according to the initial terms of a contract, of its own financial and economic activity as related to a credit claim;
- realisation of the credit claim with substantial economic losses as a result of deterioration of the credit claim quality;
- referral of the Bank to the court with the application for bankruptcy;
- adjudication of borrower's bankruptcy or implementation of a borrower's bankruptcy procedure (supervision, external administration, financial rehabilitation).

Significant increase in credit risk

The Bank determines whether the credit risk on a financial instrument has increased significantly since initial recognition on a regular basis but not less than once a quarter. To make that assessment a probability of default for the remaining lifetime as at reporting date is compared with probability of default for remaining lifetime calculated for this point in time at initial recognition of credit exposure.

When determining whether the credit risk 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 and expert credit assessment and including forward-looking information.

Criteria of significant increase in credit risk and criteria of impairment indicators as well as their threshold values are established by the Bank's internal regulatory documents. Criteria are qualitative and quantitative and include information on overdue payments, downgrading of internal/external rating, actual or expected significant change in the counterparty's operating activities, significant changes in the value of collateral, actual or expected restructuring or another significant information available at the Bank.

Generally, a credit risk for an exposure to have increased significantly since initial recognition if the following criteria based on the Bank's quantitative model methods have been met:

- internal/external rating decreased by more than two grades (inclusive);
- PIT PD (Point in Time PD - ratings calculated at point in time) 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.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors related to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. Such qualitative factors are based on its expert judgement. Qualitative criteria include:

- significant increase in credit risk on other instruments of the same borrower;
- availability of information on past due loan payments at other credit institutions;
- an actual or expected significant change in the operating results of the borrower including actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations such as a decline in the demand for the borrower's sales product because of a shift in technology;
- significant changes in the value of collateral supporting the obligation or in the quality of third party guarantees, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- significant changes such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- covenants breach which was not agreed with the Bank and documented;
- actual or expected forbearance or restructuring of the loan related to the borrower's insolvency.

As a flag the Bank considers that a significant increase in credit risk occurs no later than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as breach of revised loan agreement, may be indicative of an increased risk of default that persists when the indicator is not more exist. In these cases, the Bank determines a probation period during which payments on a financial asset must be made on time and in full to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

The Bank evaluates the criteria used to identify significant increases in credit risk on a regular basis to confirm that:

- the criteria can identify 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;
- credit risk exposures are not transferred directly from a portfolio for which a loss allowance is recognised in the amount of 12-month ECL measurement (Stage 1) to portfolio of credit-impaired assets (Stage 3);
- there is no unwarranted volatility in value of allowance for expected credit losses from transfers of credit risk exposure from the portfolio, for which allowance for expected credit losses is recognised in the amount of 12-month ECL (Stage 1) to the portfolio, under which allowance for expected credit losses is recognised in the lifetime ECL (Stage 2).

Internal measurement of credit risk

Internal credit rating is defined based on the internal model of the ICBC Group Head Office using the expert judgment of a responsible employee. The internal rating model's structure includes quantitative and qualitative assessment of a corporate customer as well as rating adjustment. Quantitative assessment reflects the financial position of a corporate customer, including its paying capacity, liquidity, etc. Quality assessments reflects the non-financial characteristics of the customer's activity, such as its competitive position in the market, assessment of management, etc. Rating adjustment reflects impact of additional significant factors such as the auditors' opinion on the financial statements, credit history, etc.

Incorporating 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.

Where there is insufficient (complete lack of) information on the default history of the Bank's customers to analyse the impact of forward-looking information, the Bank uses the benchmark method to determine the necessary adjustments as reasonable and supportable forward-looking information that is available without undue cost and effort and has an impact on credit risk.

The estimates and assumptions and expectations of future events used to determine the multiplier are subject to ongoing review, based on the expert judgement of the responsible officers.

The Bank uses actual and forecast data from the Russian banking system and ICBC Group data to determine the benchmark.

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).

Probability of default (PD) is a probability that a borrower's default occurs before expiry of the asset lifetime.

Loss given default (LGD) is an amount of cash that the Bank loses when a borrower fails to repay a debt on the loan.

Exposure at default (EAD) is an estimate of exposure, the share of an asset that is lost in case of default during subsequent 12 months or during the asset lifetime.

To assess PD of counterparties the Bank uses the internal credit ratings. Rating scale is represented by a credit rating, ranges of probabilities of default (PD) for each estimate and average probability of default for each rating as well as respective ratings according to rating scales of Standard & Poor's and Moody's rating agencies.

If a counterparty is assigned with an external credit rating, or it is the part of a group of companies that has an external credit rating, the Bank considers such credit rating when determining a probability of default of such counterparty. A rating scale of Standard & Poor's agency is used as a basic rating scale as well as respective probabilities of default.

LGD indicates a part of debt that the Bank loses in case of a counterparty's default. LGD varies by the type of a counterparty, security, etc. LGD value for counterparties-residents of Russian Federation is determined in accordance with a local market practice, while for non-residents it is determined in accordance with the model used in the Head Office.

EAD represents the expected exposure in the event of a default. The Bank will derive 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 at the time of default. For guarantees and letters of credit, EAD represents the exposure when becomes payable.

Fixed assets

The amount of actual costs of the Bank incurred on construction, manufacturing and acquisition of an item of fixed assets, including a value-added tax, is recognised as an initial cost of fixed assets acquired for a fee.

The initial cost of fixed assets received by the Bank under the gift contracts (free of charge) is its fair value as at the date of recognition.

The initial cost of an item of fixed asset received by the Bank under an exchange contract is the fair value of the asset received, if it is possible to measure it reliably. If the fair value of received assets cannot be measured reliably, the initial cost of received fixed asset is determined on the basis of assets transferred by the Bank, which is recognised on the account for accounting of these assets.

The initial cost of items of fixed assets contributed to the charter capital of the Bank is the value of these items determined in accordance with the procedure established by the legislation of the Russian Federation and regulatory acts of the Bank of Russia.

For subsequent assessment of homogeneous fixed assets, except for Group 10 (property with useful life over 30 years), that is "Buildings", the Bank applies a model of accounting at historical cost net of accumulated depreciation and any accumulated impairment losses.

For fixed assets Group 10 (property with useful life over 30 years) "Buildings" the Bank applies accounting at revalued book value.

Revaluation is performed on the annual basis. A revalued cost should reflect a fair value at the end of reporting year.

Fair value of fixed assets is measured in accordance with IFRS 13.

In measuring the revalued cost of fixed assets there may be used the current prices in the active market of similar items of fixed assets obtained from external sources, data on level of prices published in mass media and specialised literature, expert opinions on fair value of items of fixed assets, etc.

Items of fixed assets, irrespective of an accounting model selected, are subject to impairment testing at the end of each reporting year as well as upon occurrence of events that have significant impact on measurement of their value. Impairment losses on items of fixed assets are recognised at the time of identification.

The cost of items of fixed assets is amortised through the accrual of depreciation throughout their useful life. Depreciation is charged on a straight-line method and recognised in profit of loss.

Intangible assets

An intangible asset is an asset that simultaneously meets the following conditions:

- the asset is able to bring future economic benefits to the Bank, in particular, the asset is intended for use for provision of works and services or for management needs;
- the Bank has rights to receive the economic benefits from the asset use in the future;
- there are restrictions on access to economic benefits from the assets by third parties (the credit institution has control over the asset);
- the asset can be identified (there is a possibility to allocate or separate from other assets);
- the intended use of the asset exceeds 12 months;
- sale of the asset within 12 months is not foreseen by the Bank;
- the asset has no tangible form;
- initial cost of the asset can be reliably determined.

An intangible asset is recognised at their historical cost determined as of the date of recognition.

For subsequent measurement of an intangible asset, of any group of homogeneous intangible assets, the Bank applies accounting at historical cost less accumulated depreciation and accumulated impairment losses. Impairment losses of intangible assets are recognised at the time of identification.

Amortisation of intangible assets of all is accrued by a straight-line method. In the straight-line method, the annual amount of depreciation is based on the initial value of intangible assets and the depreciation rate. To calculate the depreciation rates, the useful life of intangible assets is applied.

Inventories

Accounting of the Bank's inventories is carried out in accordance with Bank of Russia Regulation dated 22 December 2014 No. 448-P "Accounting of Fixed Assets, Intangible Assets, Real Estate Temporary not Used in Operational Activity, Long-Term Assets Held for Sale, Inventories, Means and Objects of Labour of Undetermined Purpose Obtained under Compensation or Pledge Agreements".

Inventories shall be recognised when economic risks and benefits arising out of the use of inventories for the purpose of deriving income pass to the Bank. In most cases, those risks and benefits pass at the same time when the Bank obtains the ownership to the inventories or they are actually received.

Inventories are measured at recognition in the amount of actual costs for their acquisition, delivery and bringing them in condition suitable for use (at cost).

The value of inventories is recognised as expenses are transferred by a designated person of the Bank for the performance of works, the provision of services or on the basis of a report on their use duly executed by the designated person.

Provisions

The Bank makes provisions for impairment on loan receivables, as well as provisions for impairment in accordance with the requirements of regulatory documents of the Bank of Russia, as well as internal regulatory documents of the Bank.

Allowance for impairment on loan receivables is created from contributions recognised as the expenses of the Bank. Recovery of the provision is recognised as income of the Bank and the branch.

The change in Allowance for impairment on loan receivables is recorded in the balance sheet of the Bank no later than the last business day of the month.

Taxes

Tax accounting of the Bank is based on accounting data, primary accounting documents and data of tax accounting registers subject to the following specifics:

- the income tax base is calculated by the Bank on the basis of information about income and expenses recorded in the accounts with the corresponding attributes, as well as the tax registers data;
- certain types of transactions, for which the balances of income/expenses contain insufficient information for tax purposes (maximum amount of expenses in the form of interest on debt, accrual of depreciation, transactions with acquired claims, accrued interest on debt securities, etc.) are recorded by the Bank in separate analytical tax registers;
- balances of income/expense accounts not taken into account in the taxation of profits are summarised in a separate report, which is used to monitor and control costs that do not reduce taxable profit of the Bank. The data of the said report are not to be taken into account when calculating the income tax base.

For income tax purposes, the Bank uses the following methods of income and expense recognition:

- income provided for by Chapter 25 of the Tax Code of the Russian Federation is recognised by the Bank on an accrual basis, i.e., recognised in the reporting (tax) period in which it occurred, irrespective of actual receipt of funds, other property (works, services) and (or) property rights;

- expenses provided for by Chapter 25 of the Tax Code of the Russian Federation are recognised by the Bank on an accrual basis, i.e., recognised in the reporting (tax) period to which they relate, regardless of the time of actual payment in cash and (or) other form of payment;

- income/expenses are recognised by the Bank in the reporting (tax) period in which these income/expenses arise based on the conditions of transactions (for transactions with specific deadlines) and the principle of even and proportionate formation of income and expenses (for transactions lasting more than one reporting (tax) period).

Income tax expenses are charged to the account 70611 "Income Tax".

Accounting for overpayment of income tax depends on the time when it was detected, and the period during which it occurred.

Overpayment identified during the preparation of the annual accounts are recognised in the accounting records as adjusting events after the balance sheet date.

The procedure for recognition in the accounting records of underpayment of income tax depends on the time it was detected, but do not depend on the period for which it was formed.

Recognition of income and expenses

Classification of income and expenses

All income and expenses are recognised on an accrual basis. The accrual principle means that financial results of transactions (income and expenses) are recognised when the corresponding service is provided and not upon receipt (or payment) of cash or cash equivalents. Income and expenses are recorded in the period to which they relate.

Analytical accounting on income and expense accounts is in Russian roubles. Income and expense accounts reflect rouble equivalents of amounts in foreign currencies based on the official exchange rate.

Income and expenses, depending on their nature and types of transactions, are divided into:

- interest income and expense;
- operating income and expense;

Interest income (interest expenses) are recognised income (expenses) accrued in the form of interest, coupon, discount (premium) on transactions with interest income (interest expense).

Depending on transactions, fee and commission income and fee and commission expenses may refer to either interest income and expenses or to operating income and expenses.

The expense from performance of work (provision of services), including paid or payable fee and commission expense, is accounted for at the date of acceptance of work (provision of services) determined by contractual terms, including the payment day, or confirmed by other primary accounting documents.

The expense from transfer (sale) of assets is accounted for when all the above conditions are met. The expense from transfer (sale) of assets is measured as the difference between the asset's carrying amount and value of received or receivable consideration (proceeds from sales) and accounted for at the date of transfer to the customer of control of the transferred (sold) asset, irrespective of contractual payment terms (i.e. advance payment, prepayment, delay, deferred payment).

Criteria for income recognition

Income is recognised when the following conditions are met:

1) the right to receive the income by the Bank arises from the agreement or is confirmed in another appropriate manner;

2) the amount of the income can be measured;

3) there is no uncertainty in earning the income;

4) as a result of transfer (sale) of an asset, performing work or provision of services, the Bank has transferred control over the delivered (sold) asset, defined in accordance with paragraph 33 of IFRS 15 *Revenue from Contracts with Customers*, the work has been accepted by the customer and the service has been provided.

The income from transfer (sale) of assets, performance of works, provision of services is accounted for when all the above conditions are met, as well as in accordance with paragraphs 31, 35 - 37 of IFRS 15 *Revenue from Contracts with Customers*.

The income from transfer (sale) of assets is measured as the difference between the value of received or receivable consideration (proceeds from sales) and the asset's carrying amount and is accounted for at the date of transfer to the customer of control over the transferred (sold) asset, irrespective of contractual payment terms (i.e. advance payment, prepayment, delay, deferred payment).

The income from performance of work (provision of services), including received or receivable fee and commission income, is accounted for at the date of acceptance of work (provision of services) determined by contractual terms, including the payment day, or confirmed by other primary accounting documents.

Recognition of interest income

For recognition of the interest income from transfer (placement) of funds and precious metals, acquired debt securities, including promissory notes, securities borrowing, as well as income from assignment for temporary use (temporary possession and use) of other assets at a charge, the Bank has to meet simultaneously the first, second and third conditions.

Criteria for expense recognition

Expense is recognised when the following conditions are met:

- the expense arises under the contract, requirements of laws and other regulations, business customs;
- the amount of the expense can be measured;
- there is no uncertainty in respect of expense recognition.

Recognition of interest expenses

Interest expenses related to transactions for raising funds from individuals and legal entities, for the use of funds in clients' bank accounts, including correspondent accounts, for deposits of precious metals and for securities borrowing transactions are to be expensed on the date stipulated in the agreement for their payment.

Interest expense on debt securities issued, including promissory notes, shall be expensed on the date stipulated in the contract or issue terms for their payment.

On the last business day of the month, all interest accrued over the month ended (including for remaining non-business days if the last business day of the month is not its last day) or additionally accrued from the date under contractual terms or the issue terms is to be charged to expenses.

Foreign exchange gain and loss and revaluation of funds denominated in foreign currencies

Revaluation of balances in foreign currencies is carried out based on changes in the official exchange rates established by the Bank of Russia.

Revaluation results are stated on the balance sheet accounts "Revaluation of funds denominated in foreign currency": 70603 "Gain from revaluation of funds denominated in foreign currency" - for foreign exchange gain, and 70608 "Loss on revaluation of funds denominated in foreign currency" - for foreign exchange loss.

Financial results of foreign exchange transactions carried out at the exchange rate other than an exchange rate quoted by the Bank of Russia, are charged to account 70601 "Income" for symbols 26101 "Gain from purchase and sale of foreign currency in cash form" and 26201 "Gain from purchase and sale of foreign currency in non-cash form", if the Bank's purchase rate is set below official exchange rate of the Bank of Russia; or to account 70606 "Expense" for symbols 46101 "Expenses on purchase and sale of 60 foreign currency in cash form" and 46201 "Expenses on purchase and sale of foreign currency in non-cash form", if the Bank's purchase rate is set above the official exchange rate of the Bank of Russia.

Exchange rate gains or losses arising from purchase and sale of foreign currency for Roubles on a cash and non-cash basis, for which settlements and delivery are performed on the day of the transaction, and transactions for which settlements and delivery are performed not earlier than on the next day after signing the contract, except for those contracts that are subject to the Bank of Russia Regulation No.372-P, are determined as a difference between the exchange rate of the transaction and the official Bank of Russia foreign exchange rate against Russian Rouble on the date of transaction or on the date of recognition of revaluation of requirements and obligations on supply of foreign currency under accounts No. 47421, No. 47424 Revaluation of requirements and obligations on supply of precious metals, financial assets (except for securities).

Revaluation of receivables and payables recognised in these accounts is recorded in the balance sheet (published form) under "Other assets" or "Other liabilities" depending on the sign of the balancing result.

Policy applicable to leases before 1 January 2020

Under a lease contract, the lessor undertakes to provide the lessee with property for a fee for temporary possession and use or for temporary use.

In accordance with the Russian law, the lease contract specifies the necessary data on the property to be leased (characteristics, cost); lease term, amount, procedure, conditions and terms for paying rent; division of responsibilities between the lessor and the lessee for maintaining the leased fixed assets in proper condition; possibility for the lessee to make capital investments in the leased fixed assets and their compensation; and other lease terms.

The lease contract may provide for the transfer of the leased property into the ownership of the lessee on or before the expiry of the lease term, provided that the lessee pays the entire purchase price stipulated in the agreement, in which case the lease agreement is concluded in the form prescribed for the contract of sale of such property.

The sub-ledger liability part off-balance sheet account 91507 "Leased fixed assets" records the value of the leased fixed assets at the time of receipt of the lease agreement by the Bank's unit responsible for the accounting.

The cost is determined on the basis of information provided by the lessor. Until these data are received, an off-balance sheet account 91507 shall reflect a value equal to 1 rouble.

If the lessor has not provided data on the cost of the leased property within a calendar month of the Bank's request, its cost shall be determined by the Bank's expert evaluation.

Policy applicable to leases after 1 January 2020

The Bank of Russia Regulation No. 659-P establishes the new accounting procedure of lease contracts for lessees and lessors that are credit institutions. This procedure is based on IFRS 16 *Leases*. The new accounting procedure entered into force from 1 January 2020 and replaced the accounting procedure for lease contracts stipulated by the Appendix 7 to the Regulation of Bank of Russia No.579-P.

The Bank concludes lease agreements under which it acts as a lessee. Lease contracts under which the Bank acts as a lessee are classified by the Bank as operating lease contracts.

The new accounting procedure introduces single model for accounting of lease contracts by lessors that stipulates their recognition in the lessor's balance sheet. According to this model, the lessee shall recognise right of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Definition of a lease

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a specified period in return for consideration.

The commencement date of the lease is the date on which the lessor makes the underlying asset available for use by the lessee.

The commencement date of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease.

The underlying asset is the asset that is the subject of the lease, the right to use which has been granted to the lessee by the lessor.

Upon the conclusion of an agreement, the Bank determines whether the whole agreement or its components represents a lease.

The whole agreement or its components represent a lease if under such agreement the right to control the use of an identified asset over a specified period of time is transferred for a consideration.

After the commencement date, but before the lease commences, the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets apply to any contract (including a lease) that becomes onerous.

Characteristics of a lease

To determine whether an agreement transfers the right to control the use of an identified asset over the period of use, the simultaneous existence of the following characteristics is determined:

- 1) identified asset;
- 2) the lessee's right to receive substantially all economic rewards related to the use of an identified asset;
- 3) the lessee's right to choose the way of using an identified asset.

If at least one of the characteristics is not met, the contract is not a lease (does not contain lease components).

If the Bank as a lessee has the right to control the use of an identified asset only during a certain part of the agreement term, then such agreement provides for lease during such part of the term only. The Bank assesses whether the lease has lease characteristics for each potential separate lease component.

General approach to lease accounting

Upon inception of a lease, the lessee recognises a right-of-use asset and a lease liability.

A right-of-use asset is an asset that represents the lessee's right to use the underlying asset during the lease term.

Initial measurement of a right-of-use asset

At the commencement date of the lease the lessee measures the right-of-use assets at initial cost.

The initial cost of a right-of-use asset must include the following:

- a) the amount of the lease liability initial estimate;
- b) lease payments at the inception of the lease or till that date, less lease incentives received;
- c) any initial direct costs incurred by the lessee;
- d) assessment of costs that will be incurred by the lessee upon dismantling and transfer of an underlying asset, restoration of the asset site or recovery of the underlying asset to the condition that is required under the lease terms, except for when such costs are incurred to produce inventories.

The lessee shall recognise the costs described in (d) above as part of the initial cost of the right-of-use asset when it incurs a liability for those costs.

Initial measurement of a lease liability

Upon inception of a lease the Lessee assesses the lease liability at the present value of lease payments that have not been made yet as at this date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Subsequent measurement of a right-of-use asset

At the commencement date of the lease the lessee measures the right-of-use assets using the cost model.

To apply the cost model, a lessee measures the right-of-use asset at cost less accumulated depreciation and accumulated impairment losses.

The lessee applies the depreciation requirements for fixed assets when depreciating the right-of-use asset.

The Bank does not apply the revaluation model to right-of-use assets that relate to the class of fixed assets to which the lessee applies the model.

Subsequent measurement of a lease liability

Subsequent to the inception of a lease the Lessee measures lease liabilities as follows:

- a) increasing the carrying value to reflect interest related to the lease liability;
- b) decreasing the carrying amount to reflect lease payments made.

Modifications to lease agreement

Modification to a lease is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets or extending or reducing the lease term provided for in the agreement).

Short-term lease

A short-term lease is a lease for which, at the commencement date, the stipulated lease term is 12 months or less. A lease that contains a call option is not a short-term lease.

The Lessee recognises lease payments for short-term leases or leases with a low value of the underlying asset as an expense on a straight-line basis over the lease term.

For short-term leases and (or) leases where the underlying asset is of low value, the accounting for the underlying assets is carried out in accordance with paragraph 2.12 of Bank of Russia Regulation No. 659-P.

Transition to the new standard

The Bank has consistently applied the following practical expedients to leases entered into before 1 January 2019, which it has applied on transition from 1 January 2019 to IFRS 16 in the Bank's financial statements:

- The Bank applied the practical expedient to grandfather the definition of which of the existing contracts are or contain a lease. The Bank applied the new accounting procedure for leases to all contracts concluded prior to 1 January 2019 and identified as such in accordance with IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*.
- The Bank applied a single discount rate to all lease contracts in the portfolio with similar characteristics.
- The Bank used the results of the valuation performed immediately before 1 January 2019 to determine whether lease contracts were onerous under IAS 37 *Estimated liabilities, Contingent Liabilities and Contingent Assets*.
- The Bank did not recognise right-of-use assets and lease liabilities for which the lease term ends within 12 months of the date of initial application of IFRS 16.
- The Bank did not recognise right-of-use assets and liabilities for leases of low-value assets.
- The Bank excluded initial direct costs from measuring the right-of-use asset.
- ***The Bank used hindsight when determining the lease term if the agreement contains options to extend or early terminate the lease.***

Nature and amount of adjustments resulting from changes in accounting policies and estimates affecting comparability of certain performance indicators of the Bank

The Bank maintains its accounting records in compliance with the principle of consistency of accounting rules. Amendments to the Bank's Accounting Policy are made in case of introduction of new types of operations (transactions) or changes in the legislation of the Russian Federation, regulations of the Bank of Russia that relate to the Bank's activities.

On 1 January 2020, Bank of Russia Regulation No. 659-P concerning the accounting treatment and recognition in the annual financial statements of lease contracts, based on the requirements of IFRS 16 *Leases*, came into force.

The resulting changes in accounting policy have not affected the comparability of the Bank's annual financial statements for 2020 and comparative information has not been restated.

3.3 Information on judgment with significant impact on the amounts recognised in the annual financial statements, and information about the nature of assumptions and main sources of uncertainty in estimates as at the end of the reporting period

The preparation of the annual financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included 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 3.2.

- 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 3.2.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in these financial statements for the year 2020 is disclosed in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3.2.

- measurement of fair value of financial instruments - Note 4.11.

- taxation: In determining the amount of deferred tax assets that can be recognised in the financial statements, the Bank's management assesses the likelihood that the deferred tax asset will be used in full. The use of a deferred tax asset depends on the receipt of taxable profit in the periods in which the time differences can be used against it. In making this estimation, management considers the planned write-off of deferred tax liabilities, future projected taxable profit, and tax planning strategies.

The Bank assesses the probability of sufficient taxable income to record the amount of deferred tax assets on the balance only when it is essential (10% of the amount of income tax calculated for the same reporting period).

The professional judgment of relevant Bank's departments in application of the accounting policy, which have a significant impact on the amounts recognised in the annual financial statements, which may result in significant adjustments to the book value of assets, are provided below.

- Allowances for impairment: the Bank regularly assesses its assets (financial instruments) in order to identify the risks of impairment. Allowance for impairment on loan debt and its equivalent is established on the basis of the Bank's professional judgments in accordance with Bank of Russia Regulation No. 509-P and actual internal instruction "On procedure of provisioning for impairment on loan receivables". Provisions for other assets (instruments) are established on the basis of the Bank's professional judgments in accordance with Bank of Russia Regulation No. 611-P.

The Bank believes that the accounting estimates related to the allowance for impairment on loan debt and other assets are key sources of uncertainty in estimates as:

- they are highly subject to changes from period to period as assumptions about the future amount of losses and estimates of potential impairment losses are based on actual figures available at the current date;

- if there is a significant difference between the estimated value of the loss and the actual losses

incurred by the Bank, provision will be required, which may have a significant impact on the annual statements of the Bank in subsequent periods.

The Bank uses professional judgment to estimate the amount of any impairment loss in cases where the borrower has financial difficulties and there is little historical data on similar loans.

The following assumptions are used in forming the Bank's professional judgment:

- as for loans referred to quality categories II-IV in accordance with Bank of Russia Regulation No. 590-P, the Bank determines the amount of the estimated provision on the basis of internal risk assessment methodology. When making a professional judgment and determining the risk rate for the borrower, the responsible employee assesses both the formalised indicators on the basis of vertical, horizontal, coefficient and other analyses of financial statements and management reports, and expert indicators (the presence of a card file of unpaid settlement documents, the presence of hidden losses, the period of operation of the counterparty in the market, etc.). During the analysis, each indicator is assigned a weight of significance, which allows to find the final score for each borrower, depending on the values of a set of factors. Based

on the final score, the risk rates for customers are ranked within the range specified by the Bank of Russia for a specific quality category.

- when determining the fair value of the collateral, the Bank considers that it can be sold within a reasonably short period not exceeding 270 calendar days.

3.4 Information on changes in the Accounting Policy of the Bank for the next financial year

By the Order No. 272 dated 24 December 2020, starting from 1 January 2021, the accounting policies of Bank for 2021 was enacted for the purposes of accounting in accordance with Russian Accounting Standards (RAS).

The accounting policy of the Bank for 2021 was developed in accordance with the Federal Law No. 402-FZ dated 6 December 2011 “On Accounting”, Bank of Russia Regulation No. 579-P, as amended on 1 January 2021, internal regulatory documents of the Bank.

The Accounting Policy for 2021 has been amended with respect to accounting for inventories and investments in acquired receivables due to the following regulatory documents of the Bank of Russia effective from 1 January 2021:

- Bank of Russia Instruction No. 5546-U dated 14 September 2020 "On Amendments to Bank of Russia Regulation No. 448-P dated 22 December 2014 “Accounting of Fixed Assets, Intangible Assets, Real Estate Temporary not Used in Operational Activity, Long-Term Assets Held for Sale, Inventories, Means and Objects of Labour of Undetermined Purpose Obtained under Compensation or Pledge Agreements”;

- Bank of Russia Instruction dated 14 September 2020 No.5547-U “On Introduction of Amendments to the Regulation of the Bank of Russia dated 27 February 2017 No. 579-P “On the Chart of Accounts for Credit Institutions and the Procedure for Its Application”;

- Bank of Russia Instruction dated 19 May 2020 No.5460-U “On Introduction of Amendments to the Regulation of the Bank of Russia dated 27 February 2017 No.579-P “On the Chart of Accounts for Credit Institutions and the Procedure for Its Application”;

- Bank of Russia Instruction dated 5 October 2020 No. 5586-U “On Introduction of Amendments to the Regulation of the Bank of Russia dated 2 October 2017 No.605-P “On Accounting by Credit Institutions of Transactions on Funds Placement Under Loan Agreements, Transactions Related to Acquisition of Rights of Claim from Third Parties, Performance of Obligations in Monetary Form, Transactions on Liabilities on Issued Bank Guarantees and Loan Commitments”;

In addition, the Bank of Russia issued a Letter of Information dated 23 November 2020, No. IN-012- 17/161 and No. IN-012- 17/162 “On certain matters related to enforcement of the accounting regulatory acts of the Bank of Russia from 1 January 2021” (the “CBR Information Letter”).

The amendments relate to the recognition in accounting of an allowance for impairment of inventories on a separate balance sheet account, an alternative method of accounting for inventories whereby the cost of inventories consumed in the performance of work or provision of services in the ordinary course of business of a credit institution is recognised as an expense in the period in which the costs of acquisition are incurred, and changes related to the formation of the cost of inventories.

The amendments will also affect the accounting for investments in acquired rights of claim. In order to analyse the quality of credit institutions' assets in the form of investments in acquired receivables, additional sub-ledger balance sheet accounts are being introduced to account for acquired receivables by type of borrower.

At the date of accounting (financial) statements, the Bank's Management assesses that the new accounting procedure for the transactions above will not have impact on the amount of the Bank's own funds (capital).

The Bank intends to continue as a going concern in the future as the Bank has no need to liquidate, reduce significantly the operations or carry out operations on unfavourable terms. Therefore, the Bank's accounting policy is applied consistently from one reporting period to another.

No significant errors were identified in the reporting period, which relate to the prior periods that may have impact on the Bank's annual accounting (financial) statements.

3.5 Information about the adjusting events after the reporting date

Events after the reporting date are the facts of the Bank's activity, which take place in the period between the reporting date and the date of signing the annual financial statements and which may have significant impact on its financial position as of the reporting date.

Events after the reporting date, confirming the existing conditions as at the reporting date, in which the Bank conducted its activities, are reflected in the accounting records.

1. In accordance with Clause 3.2.2 of the Bank of Russia Ordinance No. 3054-U, on the first working day of the new year after drawing up a daily balance as at 1 January, the balances reflected on account No. 706 "Financial Result of the Current Year" were transferred to account No. 707 "Financial Result of the Previous Year".

2. In accordance with Clause 3.2.1 of the Bank of Russia Ordinance No. 3054-U, the following adjusting events occurred after the balance sheet date:

- recovery of allowance for expected credit losses on other claims on internal operations;
- recovery of allowances for expected credit losses on loans receivable;
- accrual of remuneration related to 2020;
- classification of accrued taxes and fees as expenses;
- charge of income tax for 2020;
- clarification of the amount of expenses upon receiving the primary documents after the reporting date, which confirm that transactions were performed before the reporting date.

As a result of the events after the reporting date, the financial results of the Bank amounted 867,289 thousand roubles.

The Bank did not have any non-adjusting events after the reporting date.

4. Accompanying information to the balance sheet

4.1 Cash and cash equivalents

Cash and cash equivalents are presented as follows:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Cash	42,393	62,532
Amounts due from the Central Bank of the Russian Federation	2,419,559	2,948,963
Correspondent accounts in credit institutions:	16,812,635	4,696,868
<i>Russian Federation</i>	3,211,392	28,121
- rated from BBB- to BBB+	3,211,392	28,121
<i>Other countries</i>	13,601,243	4,668,747
- rated from A- to A+	13,594,113	2,452,978
- rated from AA- to AA+	7,060	-
- rated from BBB- to BBB+	70	2,215,769
Total cash and cash equivalents	19,274,587	7,708,363
Allowance for expected credit losses	(374)	(54)
	19,274,213	7,708,309

As at 1 January 2021 and as at 1 January 2020 obligatory reserves in the Bank of Russia amounted to 553,035 thousand roubles and 330,237 thousand roubles respectively. The Bank places required reserves on deposit in the Central Bank of the Russian Federation on a permanent basis.

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. The amount of accumulated security deposit as at 1 January 2021 and as at 1 January 2020 is 816,998 thousand roubles. 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)".

As at 1 January 2021, the Bank has two clients, except for the Bank of Russia, with balances on correspondent accounts exceeding 10% of 'Cash and cash equivalents' (1 January 2020: three 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 14,375,472 thousand roubles or 74.58% of 'Cash and cash equivalents' (2019: 4,178,437 thousand roubles or 54.21% of 'Cash and cash equivalents').

The movements on changes in allowance for impairment and allowance for expected credit losses on cash and cash equivalents are presented below:

RUB'000	2020			2019
	Allowance for impairment	Adjustment to allowance for expected credit losses	Total	Total
<i>At the beginning of reporting period</i>	-	(54)	(54)	-
Effect of transition to IFRS 9	-	-	-	(170)
Net charge/recovery	-	(320)	(320)	116
<i>At the end of reporting period</i>	-	(374)	(374)	(54)

As at 1 January 2021 all cash and cash equivalents include in Stage 1 of credit quality and is not overdue (1 January 2020: not impaired and not overdue).

4.2 Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include loans measured at fair value through profit or loss and interest accrued thereon.

	1 January 2021 RUB'000	1 January 2020 RUB'000
Loan receivables measured at fair value through profit or loss	619,289	778,420
Interest accrued on loan	1,939	5,089
Total financial assets measured at fair value through profit or loss	621,228	783,509

Loan receivables measured at fair value through profit or loss comprises loans to credit institutions with external rating BBB-.

Information on assumptions related to fair value estimation is disclosed in Note 4.11.

4.3 Financial assets at amortised cost

4.3.1 Net loan receivables measured at amortised cost

Information on the loan receivables measured at amortised cost is provided in table below.

	1 January 2021 RUB'000	1 January 2020 RUB'000
Deposits with the Bank of Russia	16,001,835	-
Loans to customers - credit institutions	12,842,993	18,974,215
- rated from BBB- to BBB+	7,297,607	11,004,332
- rated from BB- to BB+	5,545,386	7,969,883
Loans to customers - legal entities other than credit institutions	19,607,355	22,124,760
- rated from BB- to BB+	11,214,501	10,980,191
- rated from BBB- to BBB+	3,159,817	2,295,756
internal credit risk rating:		
- internally rated from AA- to AA+	3,552,129	6,210,279
- internally rated from A- to A+	1,680,908	44,027
- internally rated from BBB- to BBB+	-	2,594,507
Other amounts due from legal entities	17,154	16,140
Other amounts due from individuals	90	204
Total loan receivables	48,469,427	41,115,319
Allowance for expected credit losses	(135,305)	(203,838)
Total net loan receivables	48,334,122	40,911,481

The Bank's primary activity continue to be the provision of products and services to corporate customers in different industrial sectors of the economy, as well as the development of Russian-Chinese trade relations. As at 1 January 2021 the total amount of due from the clients increased by 18.1% and amounted to 48,334,122 thousand roubles (less ECL) (1 January 2019 – 40,911,481 thousand roubles). The increase in deposits is due to the active placement of funds in deposits with the Bank of Russia, which is the most reliable instrument for depositing funds.

Information on the volume and structure of loans by types of economic activity of borrowers (in accordance with the Russian Industry Classification System) and types of loans is presented in the table below:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Deposits with the Bank of Russia	16,001,835	-
Loans to customers - credit institutions	12,842,993	18,974,215
Loans to customers - legal entities other than credit institutions, including:	19,607,355	22,124,760
Financing of current activity (except for loans provided to non-residents), total, including:	16,274,911	16,194,334
Manufacturing, including:	9,704,243	13,089,166
Chemical production	5,456,661	5,195,082
metallurgical production	2,860,502	3,219,789

	1 January 2021 RUB'000	1 January 2020 RUB'000
<i>pulp and paper production</i>	1,387,080	4,674,295
<i>mineral production</i>	1,710,915	1,923,066
<i>finance and insurance</i>	1,057,970	1,182,102
<i>Information and communication</i>	3,801,783	-
Loans to non-residents	147,825	66,593
Postfinancing	26,623	44,027
Total acquisition of rights to claim, including:	2,366,708	5,421,063
<i>mineral production</i>	1,998,103	4,489,216
<i>pulp and paper production</i>	-	931,847
<i>Chemical production</i>	368,605	-
Total factoring, including	791,288	398,743
<i>Transport and communications</i>	791,288	398,743
Other amounts due from legal entities	17,154	16,140
Other amounts due from individuals	90	204
Total loan receivables	48,469,427	41,115,319
Allowance for expected credit losses	(135,305)	(203,838)
Total net loan receivables	48,334,122	40,911,481

Loans to credit institution customers are represented by interbank transactions, trade finance operations, as well as transactions for the acquisition of rights of claim.

Loans to corporate customers are represented by syndicated loans (both in the primary market and through the acquisition of rights of claim in the secondary market) to large corporate borrowers. The borrowers of the Bank include the largest Russian companies operating in the following economic sectors: oil and gas, metallurgy, mineral fertilizers, pulp and paper, coal, transport, telecommunication and leasing.

Loans to individual customers are represented by a security deposit for the leased premises.

Geographic analysis of loan receivables (according to a counterparty's place of incorporation)

	1 January 2021 RUB'000	1 January 2020 RUB'000
Russia	48,321,602	36,680,167
Moscow	28,675,434	16,550,196
Saint-Petersburg	7,866,296	6,108,866
Novgorod Region	3,331,780	2,794,141
Perm Territory	2,493,486	2,400,941
Sverdlovsk Region	2,490,075	2,667,976
Novosibirsk Region	1,654,285	1,388,646
Tyumen Region	1,057,970	1,182,102
Krasnoyarsk Territory	369,411	2,304
Republic of Karelia	324,139	2,499,985
Belgorod Region	56,630	787,073
Moscow Region	1,080	1,080
Lipetsk Region	1,016	-
Kursk Region	-	296 857
OECD*	-	2,595,516
Other countries	147,825	1,839,636

	1 January 2021	1 January 2020
	RUB'000	RUB'000
Total loan receivables	48,469,427	41,115,319
Allowance for expected credit losses	(135,305)	(203,838)
Total net loan receivables	48,334,122	40,911,481

* include organisations incorporated in the interests of Russian companies

Information on loan's maturity is given in the table below:

1 January 2021	Less than 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 1 years	More than 1 year	Total
Loans	27,177,305	4,719,645	1,967,836	2,515,329	12,089,312	48,469,427
<i>Allowance for expected credit losses</i>	(2,735)	(2,005)	(3,462)	(2,920)	(124,183)	(135,305)
Net loans	27,174,570	4,717,640	1,964,374	2,512,409	11,965,129	48,334,122

1 January 2020	Less than 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 1 years	More than 1 year	Total
Loans	15,349,492	4,732,998	2,120,129	5,324,222	13,588,478	41,115,319
<i>Provisions for possible loan losses</i>	(1,122)	(47,922)	(14,729)	(45,659)	(94,406)	(203,838)
Net loans	15,348,370	4,685,076	2,105,400	5,278,563	13,494,072	40,911,481

The movement in allowance for impairment and allowance for expected credit losses on loan receivables measured at amortised cost are presented below:

	2020			2019		
RUB'000	Impairment allowance	Adjustment to allowance for expected credit losses	Total	Impairment allowance	Adjustment to allowance for expected credit losses	Total
At the beginning of the period	(170,660)	(33,178)	(203,838)	(388,453)	-	(388,453)
Effect of transition to IFRS 9	-	-	-	-	161,615	161,615
Net change of the allowance for expected credit losses (impairment allowance)	(32,933)	(6,327)	(39,260)	141,174	(150,568)	(9,394)
Transferring the loan receivable to Stage 2	-	(3,153)	(3,153)	-	-	-
New financial assets originated or purchased	(17,936)	(6,389)	(24,325)	(56,517)	32,644	(23,873)
Financial assets that have been derecognised	9,681	88,083	97,764	20,102	(11,839)	8,263
Other changes	38,365	(858)	37,507	113,034	(65,030)	48,004
At the end of reporting period	(173,483)	38,178	(135,305)	(170,660)	(33,178)	(203,838)

Explanations of how significant changes in gross carrying amount of loans to customers contributed to changes in allowances for expected credit losses are presented below:

- repayment of financial assets of 25,443 million roubles during the year resulted in recovery of ECL of 98 million roubles;

- New financial assets originated of 6,435 million roubles during the year resulted in origination of ECL of 24 million roubles.

- Transferring the loan receivable to Stage 2 in the amount of 1,652 million roubles during the year led to the creation of ECL of 36 million roubles.

As at 1 January 2021 one customer of the Bank has loan balances in excess of 10% of "Net loans receivables measured at amortised cost" in the total amount of 16,000 million roubles or 33.3% of this item (as at 1 January 2020 there were no customers with loan balances in excess of 10% of "Net loans receivables measured at amortised cost").

The entire loan portfolio of the Bank as at 1 January 2021 relates to Stage 1 of credit quality (at 1 January 2020, also related to Stage 1 of credit quality), except for one borrower for whom a transfer from Stage 1 to Stage 2 took place during 2020. The amount of allowance for expected credit losses on the borrower transferred to Stage 2 was 36,803 thousand roubles as at 1 January 2021.

There is no overdue debt as at 1 January 2021 and 1 January 2020.

Key assumptions and judgments used in assessment of expected credit losses on loans to customers are provided in Note 3.2.

Changes in these estimates could affect the allowance for expected credit losses. Increase/decrease of net present value of expected cash flows from loans by one percent would result in decrease/increase of the allowance for expected credit losses on loans to customers by 483,341 thousand roubles as at 1 January 2021 (1 January 2020: 409,115 thousand roubles).

4.3.2 Net investments in securities held to maturity

The portfolio of Bank's securities as at 1 January 2021 in the amount of 10,106,548 thousand roubles include:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Bonds of Russian Government and municipal bonds:	7,831,718	5,109,300
Russian Government bonds (OFZ)		
- rated from BBB- to BBB+	6,825,598	4,103,600
Debt obligations of constituent entities of the Russian Federation and local government authorities		
- rated from BBB- to BBB+	1,006,120	1,005,700
Bonds of the Bank of Russia	-	3,548,054
- rated from BBB- to BBB+	-	3,548,054
Bonds of non-resident banks:	2,292,902	444,798
rated from A- to A+	2,292,902	444,798
Total debt securities held to maturity net of allowance	10,124,620	9,102,152
Allowance for expected credit losses	(18,072)	(3,537)
Total debt securities held to maturity	10,106,548	9,098,615

As at 1 January 2021 the Bank's debt securities portfolio is as follows:

	Maturity (year)	Coupon amount, % per annum
Russian Government bonds (OFZ)		
OFZ 29012 RU000A0JX0H6	16.11.2022	4.79
OFZ 26217 RU000A0JVW30	18.08.2021	7.5
OFZ 29006 RU000A0JV4L2	29.01.2025	6.55
OFZ-IN 52001 RU000A0JVMH1	16.08.2023	2.5
Municipal bonds		
SPbGO35001-o6 RU000A0ZYHX8	28.05.2025	7.7
Bonds of foreign credit institutions		
AGRICULTURAL DEVELOPMENT BANK OF CHINA	06.11.2024	3.4
AGRICULTURAL DEVELOPMENT BANK OF CHINA	06.11.2022	3.18
CHINA DEVELOPMENT BANK HONG KONG BRANCH	14.08.2023	3.76
CHINA DEVELOPMENT BANK HONG KONG BRANCH	09.04.2023	1.86

As at 1 January 2020 the Bank's debt securities portfolio is as follows:

	Maturity (year)	Coupon amount, % per annum
Russian Government bonds (OFZ)		
OFZ 29011 RU000A0JV7J9	29.01.2020	8.52
OFZ 26217 RU000A0JW30	18.08.2021	7.5
OFZ 29012 RU000A0JX0H6	16.11.2022	7.47
OFZ-IN 52001 RU000A0JVMH1	16.08.2023	2.5
Municipal bonds		
SPbGO35001-o6 RU000A0ZYHX8	28.05.2025	7.7
Bonds of the Bank of Russia		
COBR-26-ob RU000A100WS0	15.01.2020	6.25
Bonds of foreign credit institutions		
People's Bank of China TB 11nov2020	11.11.2020	2.9

Information on changes in the allowance for credit losses on investments in securities measured at amortised cost:

RUB '000	2020			2019		
	Impairment allowance	Adjustment to allowance for expected credit losses	Total	Impairment allowance	Adjustment to allowance for expected credit losses	Total
<i>Securities, including coupon income</i>						
At the beginning of the period	-	(3,537)	(3,537)	-	-	-
Effect of transition to IFRS 9	-	-	-	-	(9,978)	(9,978)
Net creation/reversal of allowance	(17,312)	2,777	(14,535)	-	6,441	6,441
Write-off against the allowance	-	-	-	-	-	-
At the end of reporting period	(17,312)	(760)	(18,072)	-	(3,537)	(3,537)

During 2020 and 2019, the Bank has not invested funds in investment securities on non-market terms.

As at 1 January 2021, all investment securities were included in Stage 1 of credit quality and are not overdue (1 January 2020: not impaired and not overdue).

There are no overdue debt obligations as at 1 January 2021 and 1 January 2020.

Key assumptions and judgements used in assessment of expected credit losses on securities are provided in Note 3.2.

Changes in these estimates could affect the allowance for expected credit losses. Increase/decrease of net present value of expected cash flows from loans by one percent would result in decrease/increase of the allowance for expected credit losses on loans to customers by 101,065 thousand roubles as at 1 January 2021 (1 January 2020: 90,986 thousand roubles).

4.4 Fixed assets, intangible assets and leased property

4.4.1. The structure of fixed assets as at 1 January 2021 and 1 January 2020 and change in their value during 2020 is provided in the tables below. Information is provided in thousands of roubles.

	Fixed assets	Intangible assets	Inventories	Right-of-use asset under finance leases (IFRS 16 Leases)	Total
Carrying amount					
Balance as at 1 January 2020	114,913	51,555	3	-	166,471
Addition	6,730	2,165	9,602	351,934	370,431
Disposal	-	(125)	(9,605)	-	(9,730)
Balance as at 1 January 2021	121,643	53,595	-	351,934	527,172
Depreciation and impairment losses					
Balance as at 1 January 2020	71,457	14,027	-	-	85,484
Depreciation charge for the reporting period	22,720	5,244	-	31,846	59,810
Disposals	-	(125)	-	-	(125)
Balance as at 1 January 2021	94,177	19,146	-	31,846	145,169
Net book value	27,466	34,449	-	320,088	382,003

	Fixed assets	Intangible assets	Inventories	Right-of-use asset under finance leases (IFRS 16 Leases)	Total
Carrying amount					
Balance as at 1 January 2019	120,999	51,940	9	-	172,948
Addition	2,523	83	9,328	-	11,934
Disposal	(8,609)	(468)	(9,334)	-	(18,411)
Balance as at 1 January 2020	114,913	51,555	3	-	166,471
Depreciation and impairment losses					
Balance as at 1 January 2019	63,046	8,554	-	-	71,600
Depreciation charge for the reporting period	17,020	5,835	-	-	22,855
Disposals	(8,609)	(362)	-	-	(8,971)
Balance as at 1 January 2020	71,457	14,027	-	-	85,484
Net book value	43,456	37,528	3	-	80,987

As at 1 January 2021 and 1 January 2020 there are no limitations on ownership rights to the Bank's fixed assets.

The Bank applies a historical cost accounting model to all groups of homogeneous fixed assets net of accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a straight-line basis.

Information on the groups of fixed assets and depreciation rates as at 1 January 2021 and 1 January 2020 is provided below.

As at 1 January 2021

Groups of fixed assets	Useful life, months	Depreciation rate
Equipment group	36-60	1.67- 2.78%
Vehicles group	72	1.39%
Furniture and other group	60	1.67%
Modernisation of leased premises group	60-120	0.83-1.67%

As at 1 January 2020

Groups of fixed assets	Useful life, months	Depreciation rate
Equipment group	25-361	0.277-4%
Vehicles group	36-60	1.6667-2.7%
Furniture and other group	61-241	0.4149-1.6393%

4.4.2. Intangible assets are recognised by the Bank at cost determined as of the date of recognition.

For subsequent measurement of an intangible asset, of any group of homogeneous intangible assets, the Bank applies accounting at historical cost less accumulated depreciation and accumulated impairment losses. Impairment losses of intangible assets are recognised at the time of identification.

Amortisation of intangible assets of all is accrued by a straight-line method. In the straight-line method, the annual amount of amortisation charge is determined on the basis of the initial cost of intangible assets and amortisation rate. To calculate the depreciation rates, the useful life of intangible assets is applied.

Information on amortisation rates as at 1 January 2021 and 1 January 2020 is presented in the table below:

As at 1 January 2021

	Useful life of intangible assets, months	Amortisation rates of intangible assets
Intangible assets	13-600	13-600

As at 1 January 2020

	Useful life of intangible assets, months	Amortisation rates of intangible assets
Intangible assets	12-600	12-600

4.5 Other assets

The amount, structure and changes in value of other assets, including impairment, are presented in the table below:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Financial assets, total	80,936	1,312
<i>including:</i>		
Transfers and settlements in progress	79,670	-
Interest accrued at negative interest rate	723	84
Other commissions	543	1,228
Non-financial assets, total	39,268	59,689
<i>including:</i>		
Accounts receivable	37,732	58,369
Settlements with the budget and extrabudgetary funds	1,529	844
Settlements on remuneration payment	7	197
Settlements with employees on imprest accounts	-	279
Total before allowance for impairment losses	120,204	61,001
Allowance for impairment of other assets	(38,546)	(58,552)
Total less allowance for impairment	81,658	2,449

Other assets include current and non-current receivables.

Information on maturities of other assets (less provision for impairment) is presented in the table below:

As at 1 January 2021 (RUB'000)

	Less than 30 days	31 days to 90 days	91 days to 180 days	181 days to 1 years	Over 1 year	Total
Financial assets, total	80,559	256	-	111	10	80,936
<i>including:</i>						
Transfers and settlements in progress	79,670	-	-	-	-	79,670
Interest accrued at negative interest rate	723	-	-	-	-	723
Other commissions	166	256	-	111	10	543
Non-financial assets, total	4,268	553	6,302	18,463	9,682	39,268
<i>including:</i>						
Accounts receivable	3,091	553	6,000	18,406	9,682	37,732
Settlements with the budget and extrabudgetary funds	1,170	-	302	57	-	1,529
Settlements on remuneration payment	7	-	-	-	-	7
Total before allowance for impairment losses	84,827	809	6,302	18,574	9,692	120,204
Allowance for impairment of other assets						(38,546)
Total less allowance for impairment						81,658

As at 1 January 2020 (RUB'000)

	Less than 30 days	31 days to 90 days	91 days to 180 days	181 days to 1 years	Over 1 year	Total
Financial assets, total	1,302	-	10	-	-	1,312
<i>including:</i>						
Other commissions	1,218	-	10	-	-	1,228
Interest accrued at negative interest rate	84	-	-	-	-	84
Non-financial assets, total	13,444	35,405	5,785	5,006	49	59,689
<i>including:</i>						
Accounts receivable	13,006	35,367	4,941	5,006	49	58,369
Settlements with the budget and extrabudgetary funds	-	-	844	-	-	844
Settlements with employees on imprest accounts	279	-	-	-	-	279
Settlements on remuneration payment	159	38	-	-	-	197
Total before provision for impairment	14,746	35,405	5,795	5,006	49	61,001
Allowance for impairment of other assets						(58,552)
Total less allowance for impairment						2,449

Information of movements in allowance for impairment of other assets are presented below:

(RUB'000)	2020	2019
At the beginning of reporting period	(58,552)	(33,144)
Net charge/recovery	19,759	(25,437)
Write-off	247	29
At the end of reporting period	(38,546)	(58,552)

The currency structure of other assets as at 1 January 2021 and 1 January 2020 is disclosed in Note 8.

4.6 Amounts due to credit institutions

The account balances of credit institutions by types, as well as interbank loan operations are presented in the table below:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Correspondent accounts and receivables	17,375,675	7,973,302
Interbank loans and deposits	13,399,204	16,108,054
<i>including:</i>		
<i>subordinated loans</i>	8,865,084	7,428,684
Interest accrued on amounts due to credit institutions	41,427	102,164
Customers' funds on broker operations	-	-
Fee liabilities	-	1,620
Total amounts due to credit institutions	30,816,306	24,185,140

In 2020, faced with the COVID-19 coronavirus pandemic, the Bank actively continued to develop cooperation with Russian and foreign financial institutions, establishing correspondent relationships and opening correspondent accounts in various currencies. In order to expand its activities at interbank market and conversion operations, the Bank also continued entering into contracts with Russian and foreign banks.

Totally 4,047 payments for 379,366 thousand roubles were made via the ICBC payment system registered with the Bank for 2020, which is 16.6% less than the number of payments in 2019; while the total volume of payments increased significantly by 24.5% (in 2019, 4,850 payments for a total of 304,797 thousand roubles were made).

Currently the crucial correspondents and counterparties of the Bank are stable and reliable financial institutions.

As at 1 January 2021, interbank loans decreased, mainly due to the increase in the funding base through customer deposits.

Below is information on the terms and conditions of subordinated loans attracted by the Bank:

Subordinated loan lender	Date of issue	Maturity date	Interest rate, %	Carrying value, RUB'000	
				As at 1 January 2021 RUB'000	As at 1 January 2020 RUB'000
ICBC LTD (Head Office)	29.10.2013	30.10.2023	1.55	3,693,785	3,095,285
ICBC LTD (Head Office)	26.02.2018	25.02.2033	1.60	5,171,299	4,333,399
Total				8,865,084	7,428,684

4.7 Amounts due to customers other than credit institutions

Balances on settlement and deposit accounts of legal entities and individual customers by types are presented in the table below:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Legal entities (incl. individual entrepreneurs), total:	35,430,897	22,508,094
- Uncompleted transfers	591,974	278
- Current/settlement accounts	9,247,717	6,739,749
- Term deposits	25,382,499	15,473,906
- Other borrowed funds	167,885	270,105
- Accrued interest on amounts due to legal entities	40,822	24,056
Individuals (excl. individual entrepreneurs), total	40,363	40,130
- Current/settlement accounts	29,461	23,404
- Term deposits	10,896	16,639
- Receivables	-	3
- Accrued interest on amounts due to individuals	6	84
	35,471,260	22,548,224

Funds of individuals comprise balances on current accounts, deposits and funds in settlements (transfers) of individuals.

In order to maintain the Bank's image and strengthen its status as a reliable credit institution, and to expand the customer base, the Bank is constantly working on development and implementation of individual conditions to serve its major customers.

Below is the customer funds breakdown by industries (in accordance with the Russian Industry Classification System):

Type of business activity	1 January 2021 RUB'000	1 January 2020 RUB'000
Amounts due to residents, total:	26,237,009	20,984,335
including:		
<i>wholesale and retail trade; repair of motor vehicles and motorcycles</i>	9,124,350	4,685,149
<i>manufacturing industries</i>	8,741,918	6,044,225
<i>real estate transactions</i>	2,554,372	2,562,567
<i>supply of electric energy, gas and vapour air conditioning</i>	2,174,751	393,028
<i>financial and insurance</i>	1,554,975	14
<i>professional, scientific and technical activities</i>	798,140	1,534,288
<i>construction</i>	413,608	581,187
<i>transportation and storage</i>	295,584	360,962
<i>information and communication</i>	176,026	4,068,137
<i>other</i>	154,086	12,314
<i>agriculture, forestry, hunting, fishery and fish farm</i>	109,487	451,573
<i>mineral production</i>	105,840	245,658
<i>activity of hotels and public catering enterprises</i>	23,123	40,185
<i>administrative activities and complimentary services</i>	9,454	5,048
<i>health and social services</i>	1,101	0
<i>training</i>	194	0
Amounts due to non-residents	8,561,092	1,499,425
Interest accrued on amounts due to legal entities (residents and non-residents)	40,822	24,056
Incomplete transfers	591,974	278
Receivables	-	3
Amounts due to individuals	40,357	40,043
Interest accrued on amounts due to individuals, total	6	84
	35,471,260	22,548,224

4.8 Other liabilities

	1 January 2021 RUB'000	1 January 2020 RUB'000
Pending settlements	757,897	1,688
Lease liabilities (IFRS 16 <i>Leases</i>)	319,785	-
Other commissions	27,615	29,830
Settlements on bank guarantees issued/letters of credit	740	2,017
Amounts on correspondent accounts until clarification	1,772	30,858
Other payables	-	279
Total financial liabilities	1,107,809	64,672
Payables to employees	174,062	118,059
Accounts payable including current taxes payable	27,165	25,793
Settlements with employees on imprest accounts	9	-
Total non-financial liabilities	201,236	143,852
Total other liabilities	1,309,045	208,524

The currency structure of other liabilities as at 1 January 2021 and 1 January 2020 is disclosed in Note 8.

Information on maturities of other liabilities is presented in table below:

As at 1 January 2021 (RUB'000):

	<i>Less than 30 days</i>	<i>31 days to 90 days</i>	<i>91 days to 180 days</i>	<i>181 days to 1 years</i>	<i>Over 1 year</i>	<i>Total</i>
Financial assets, total	792,269	11,794	16,810	35,324	251,612	1,107,809
<i>including:</i>						
Pending settlements	757,897	-	-	-	-	757,897
Lease liabilities (IFRS 16 Leases)	4,987	11,794	16,810	35,322	250,872	319,785
Other commissions	27,613	-	-	2	-	27,615
Settlements on bank guarantees issued/letters of credit	-	-	-	-	740	740
Amounts on correspondent accounts until clarification	1,772	-	-	-	-	1,772
Non-financial assets, total	18,600	158,539	-	-	24,097	201,236
<i>including:</i>						
Payables to employees	-	149,965	-	-	24,097	174,062
Accounts payable including current taxes payable	18,591	8,574	-	-	-	27,165
Settlements with employees on imprest accounts	9	-	-	-	-	9
Total other liabilities	810,869	170,333	16,810	35,324	275,709	1,309,045

As at 1 January 2020 (RUB'000):

	<i>Less than 30 days</i>	<i>31 days to 90 days</i>	<i>91 days to 180 days</i>	<i>181 days to 1 years</i>	<i>Over 1 year</i>	<i>Total</i>
Financial assets, total	34,843	29,829	-	-	-	64,672
<i>including:</i>						
Amounts on correspondent accounts until clarification	30,858	-	-	-	-	30,858
Other commissions	1	29,829	-	-	-	29,830
Settlements on bank guarantees issued/letters of credit	2,017	-	-	-	-	2,017
Pending settlements	1,688	-	-	-	-	1,688
Other payables	279	-	-	-	-	279
Non-financial assets, total	22,418	96,412	6,524	-	18,498	143,852
<i>including:</i>						
Payables to employees	-	95,471	4,090	-	18,498	118,059
Accounts payable including current taxes payable	22,418	941	2,434	-	-	25,793
Total other liabilities	57,261	126,241	6,524	-	18,498	208,524

4.9 Provisions, contingent liabilities and contingent assets

As at 1 January 2021 and 1 January 2020 there are no provisions, contingent liabilities, contingent assets and non-credit related contingent commitments.

Information on credit related commitments is given in the table below:

	1 January 2021 (RUB'000)	1 January 2020 (RUB'000)
Guarantees issued	4,727,826	4,914,040
Letters of credit issued	961,400	240,982
Credit related commitments, except for guarantees and sureties issued	13,137,454	7,639,329
Undrawn guarantee commitments	2,549,353	2,718,527
	21,376,033	15,512,878

The amounts in the table for credit related commitments assume that the commitments will be fully performed.

The movements in allowance for expected credit losses on credit related commitments are as follows:

RUB '000	2020			2019		
	Impairment allowance	Adjustment to allowance for expected credit losses	Total	Impairment allowance	Adjustment to allowance for expected credit losses	Total
Credit-related commitments						
<i>At the beginning of the reporting period</i>	(296,333)	265,381	(30,952)	(284,582)	-	(284,582)
Effect of transition to IFRS 9	-	-	-	-	281,296	281,296
Net charge/reversal of allowance	189,256	(207,443)	(18,187)	(11,751)	(15,915)	(27,666)
<i>At the end of the reporting period</i>	(107,077)	57,938	(49,139)	(296,333)	265,381	(30,952)

A part of specified credit related commitments can be terminated without their partial or full performance. As a result, contractual credit related commitments do not constitute the expected cash outflow. The majority of loan and credit line commitments do not represent an unconditional credit related commitment by the Bank.

As at 1 January 2021 all credit related commitments of the Bank include in Stage 1 of credit quality (1 January 2020: not impaired).

4.10 Share capital

As at 1 January 2021 and 1 January 2020, the registered authorised capital of the Bank is 10,809,500 thousand roubles and consists of 432,380 ordinary registered uncertified shares with a nominal value of 25 thousand roubles each.

No additional ordinary shares were issued during the reporting period.

No decisions to place securities that can be converted into shares have been made.

4.11 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.

The table below provides analysis of financial assets, the change in carrying value of which is reflected by allowance for impairment as at 1 January 2021 and 1 January 2020, by levels of fair value hierarchy.

Fair value of financial instruments is represented below:

	1 January 2021, RUB'000			1 January 2020, RUB'000		
	Carrying amount	Fair value	Fair value	Carrying amount	Carrying amount	Fair value
		Level 1	Level 3			Level 1
Financial assets						
Securities held to maturity	10,106,548	10,145,580	-	9,098,615	9,168,981	-
Loan receivables	621,228	-	621,228	783,509	-	783,509

The Bank measures fair values using the following fair value hierarchy, which 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;

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial assets measured 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.

The table below provides information on movement in fair value of loan receivables measured at fair value through profit or loss as at 1 January 2021 and 1 January 2020:

	As at 1 January 2021 RUB'000	As at 1 January 2020 RUB'000
Fair value as at 1 January 2020	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)
Change in foreign exchange differences	162,872	(41,829)
Fair value as at 1 January 2021	621,228	783,509

In determining the fair value of financial instruments of Level 3 at 1 January 2021, the Bank management 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 1 January 2021:

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 6,212 thousand roubles higher/lower respectively (1 January 2020: by 7,835 thousand roubles).

For other financial assets and financial liabilities as at 1 January 2021 and 1 January 2020, fair value is not materially different from the carrying amount.

5. Accompanying information to the income statement.

5.1 Significant income and expenses

	2020 RUB'000	2019 RUB'000
Total interest income	2,320,570	2,418,882
<i>including:</i>		
<i>due from credit institutions</i>	844,137	676,269
<i>loans to customers other than credit institutions</i>	1,043,438	1,251,184
<i>securities</i>	432,995	491,429
Total interest expense	(1 012 471)	(1,281,465)
<i>due to credit institutions</i>	(394,791)	(760,626)
<i>due to customers other than credit institutions</i>	(617,680)	(520,839)
Net interest income (negative interest margin)	1,308,099	1,137,417
Change in allowance for impairment and allowance for expected credit losses on loans receivables, amounts on corresponding accounts and accrued interest income	68,361	184,770
Net income from transactions with financial assets at fair value through profit or loss	(2,436,813)	1,258,302
Net income from foreign currency revaluation	3,114,178	(908,235)
Fee and commission income	98,612	99,124
Fee and commission expense	(24,251)	(41,053)
Change in allowance for other losses and allowance for expected credit losses on securities measured at amortised cost	(13,111)	224,448
Operating expenses	(964,046)	(865,124)

Interest income item as at 1 January 2021 includes interest income amounting to 2,301,018 thousand roubles and other interest income amounting to 19,552 thousand roubles that are calculated using the effective interest rate method (as at 1 January 2020 using the effective interest rate method in the amount of 2,395,902 thousand roubles and other interest income amounting to 22,980 thousand roubles).

Financial result from transactions with derivative financial instruments where the underlying asset is foreign currency is stated under the caption “Net income from transactions with financial assets measured at fair value through profit or loss”.

Employee benefits (payroll) account for the major part of Operating expenses provided in the table above. Information on remuneration is disclosed in Note 5.6.

5.2 Allowance for impairment

Information on losses and impairment recoveries recognised in profit (loss) for 2020 and 2019 is disclosed in Notes 4.1, 4.3.1, 4.3.2, 4.5, 4.9.

5.3 Information on the amount of foreign exchange differences recognised in profit or loss

Net income/(loss) from transactions with foreign exchange is shown in the table as follows:

	2020 RUB'000	2019 RUB'000
Foreign exchange income	16,747,042	16,697,299
Foreign exchange loss	(16,810,509)	(16,271,720)
Net (expense)/income from transactions with foreign currency	(63,467)	425,579
Foreign exchange revaluation income	92,123,498	35,024,741
Foreign exchange revaluation loss	(89,009,320)	(35,932,976)
Net income/(expense) from foreign currency revaluation	3,114,178	(908,235)
Total net foreign exchange (loss)/income	3,050,711	(482,656)

5.4 Fee and commission income and expense

Information on fee and commission income by the type of income is presented in table below,

	2020 RUB'000	2019 RUB'000
Cash and settlement operations	67,628	65,642
Issuance of guarantees and letters of credit	25,084	23,696
Other	5,900	9,637
Broker operations	-	149
Total fee and commission income	98,612	99,124

Details of fee and commission expense by the type of expense is as follows:

	2020 RUB'000	2019 RUB'000
Cash and settlement operations	8,813	4,996
Operations with currency values	7,501	28,406
Other	6,523	6,051
Depository operations	1,414	1,600
Total fee and commission expense	24,251	41,053

5.5 Information on the main components of tax expense (benefit)

Information on main components of current income tax expense/(benefit) is presented below:

	2020 RUB'000	2019 RUB'000
Income tax	216,383	279,631
Other taxes, including:	26,863	27,732
VAT	26,678	27,520
Property tax	120	151
Transport tax	16	16
Other taxes	49	45
Taxes accrued (paid)	243,246	307,363

Information on main components of current income tax expense/(benefit) is presented below:

	2020 RUB'000	2019 RUB'000
Current income tax at tax rate of 20%	130,476	200,015
Current income tax at tax rate of 15%	67,283	79,616
Change in income tax on deferred tax	17,821	-
Tax withheld by a tax agent	803	-
Total income tax	216,383	279,631

A reconciliation of tax expense (income) and results of multiplying the accounting profit by the tax rate:

	2020 RUB'000		2019 RUB'000	
Profit (loss) before income tax	1,110,535		1,546,039	
Profit net of taxes other than income tax	1,083,672		1,518,307	
Theoretical income tax expense at 20% rate	216,734	20%	303,661	20%
Adjustments for the tax effect of certain income (expenses):				
Income subject to a special tax rate	(23,231)	(2%)	(26,539)	(2%)
Changes in unrecognised deferred tax differences	(19,981)	(2%)	(24,706)	(2%)
Net non-taxable income/expense	42,861	4%	27,215	2%
Income tax expense	216,383	20%	279,631	18%

As at 1 January 2021 the amount of unrecognised deferred tax asset is 47,016 thousand roubles (1 January 2020: 66,997 thousand roubles).

Tables below provides information on changes in the temporary differences for 2020 and 2019:

	As at 01 January 2020 (RUB'000)		As at 01 January 2021 (RUB'000)
Item	DTA / DTL	Change	DTA / DTL
Amounts due from credit institutions	11	64	75
Net loan debt measured at amortised cost	6,789	(10,728)	(3,939)
Net investments in securities and other financial assets at amortised cost (other than outstanding loans)	24,570	(29,536)	(4,966)
Fixed assets, intangible assets and inventories	423	(62,385)	(61,962)
Other assets	11,847	(4,138)	7,709

Item	As at 01 January 2020 (RUB'000)		As at 01 January 2021 (RUB'000)
	DTA / DTL	Change	DTA / DTL
Customer accounts	610	(610)	-
Other liabilities	16,556	65,894	82,450
Provisions for contingent credit-related commitments, other losses and transactions with offshore residents	6,191	3,637	9,828
Unrecognised deferred tax asset	(66,997)	19,981	(47,016)
Deferred tax asset (liability), total	-	(17,821)	(17,821)

Item	As at 01 January 2019 (RUB'000)		As at 01 January 2020 (RUB'000)
	DTA / DTL	Change	DTA / DTL
Amounts due from credit institutions	-	11	11
Net loan debt measured at amortised cost	-	6,789	6,789
Net investments in securities and other financial assets at amortised cost (other than outstanding loans)	15,915	8,655	24,570
Fixed assets, intangible assets and inventories	352	71	423
Other assets	64,697	(52,850)	11,847
Customer accounts	-	610	610
Other liabilities	10,739	5,817	16,556
Provisions for contingent credit-related commitments, other losses and transactions with offshore residents	-	6,191	6,191
Unrecognised deferred tax asset	(91,703)	24,706	(66,997)
Deferred tax asset (liability), total	-	-	-

No new taxes were introduced during 2020 and 2019. However, effective from 1 January 2019 a VAT rate has changes (before 1 January 2019 - 18%, after 1 January 2019 - 20%). Rates of other taxes did not change during the reporting period.

5.6 Information on employee benefits

Personnel expenses and other employee benefits include the following items:

	2020 RUB '000	2019 RUB '000
Wages and salaries	668,993	568,381
Payroll related taxes and deductions	69,249	65,784
Other personnel expenses	3,990	2,236
Personnel expenses	742,232	636,401

5.7 Information on disposal of fixed assets

During 2020 there were no disposal of the fixed assets.

6. Accompanying information to the statement on changes in equity

During 2020 there were no significant changes in the sources of the Bank's capital.

Total comprehensive income of the Bank for the reporting period amounted to 867,289 thousand roubles.

In accordance with Russian legislation, dividends may only be declared to the shareholder of the Bank from accumulated undistributed earnings as shown in the Bank's financial statements prepared in accordance with Russian Accounting Legislation.

During 2020 by the Decision of the Annual Meeting of the Shareholder No.29 dated 29 June 2020, a decision was approved to allocate 61,934 thousand roubles to the Bank's reserve fund and pay dividends of 1,176,742 thousand roubles. (During 2019 by the Decision of the Annual Meeting of the Shareholder No.28

dated 27 June 2019, a decision was approved to allocate 37,893 thousand roubles to the Bank's reserve fund and pay dividends of 719,966 thousand roubles).

7. Accompanying information to the statement of cash flows

Outflow (inflow) on current income tax stated in cash flows from operating activities within "Tax expense (reimbursement)" for 2020 was 169,609 thousand roubles (2019: 274,560 thousand roubles).

Cash and cash equivalents before allowance for expected credit losses are recorded in column 4 on lines 5.1 and 5.2 of the statement of cash flows (published form). The amount of cash and cash equivalents recognised in the balance sheet (published form) is disclosed in Note 4.1.

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

The amount of significant balances not available for use as of 1 January 2021 amounted to 1,370,033 thousand roubles, including: amounts due from the Central Bank of the Russian Federation (obligatory reserves) – 553,035 thousand roubles; security deposit of the payment system operator – 816,998 thousand roubles.

The amount of significant balances not available for use as of 1 January 2020 amounted to 1,147,235 thousand roubles, including: amounts due from the Central Bank of the Russian Federation (obligatory reserves) – 330,237 thousand roubles; security deposit of the payment system operator – 816,998 thousand roubles.

7.2. Information on significant investments and financial transactions that do not require the use of cash

No significant investments and financial transactions that do not require to use cash were carried out during the reporting period.

7.3 Information on restricted credit facilities

As at 1 January 2021 and 1 January 2020 the Bank has no restricted credit facilities.

7.4 Information on cash flows:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Cash and cash equivalents at the beginning of the year	7,708,309	10,915,756
Cash	42,393	62,532
Amounts due from the Central Bank of the Russian Federation (except for obligatory reserves and security deposit of payment system operator)	2,419,559	2,948,963
Amount due from credit institutions, except for assets exposed to risk of losses	16,812,261	4,696,814
Cash and cash equivalents at the end of the reporting period	19,274,213	7,708,309
Increase (+)/decrease (-) in cash and cash equivalents	11,565,904	(3,207,447)

According to Reporting Form 0409814 (Statement of Cash Flows) as at 1 January 2021 the amount of line 5 "Increase/decrease of cash and cash equivalents" was 11,565,904 thousand roubles.

8. Qualitative and quantitative information on the risk management objectives and policy related to financial instruments includes the following information on each type of risk

8.1 Information on types and sources of significant risks to which the Bank is exposed

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 1 January 2021 the Bank 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 the Bank;
- 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 the Bank to ensure the full performance of its obligations. Liquidity risk arises as a result of the unbalanced financial assets and financial liabilities of the Bank (including the late performance of financial obligations by one or more counterparties of the Bank), and/or the appearance of an unforeseen need for the Bank to perform its financial obligations immediately and on a one-time basis.
- concentration risk is the risk arising from the exposure of the Bank 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 the Bank 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 Bank's internal management procedures, failure of information and other systems, or impact of external events on the Bank's activities.

8.2 Information on the risks accepted by the Bank, procedures for their assessment, risk and capital management

Risk management is fundamental to the banking business and is an essential component of the Bank's operations. Market risk, credit risk, liquidity risk, concentration risk, interest rate risk and operational risk are the main (significant) risks faced by the Bank in the course of its activities.

The Bank's risk management policy is designed to identify, analyse and manage the risks the Bank is exposed to, to set appropriate risk limits and controls, and to continuously assess risk levels and their consistency with the limits in place. Risk management procedures shall be regularly reviewed to reflect market environment, emerging services and new best practices. The Bank has developed a system of reporting on significant risks and own funds (capital) of the Bank.

As at 1 January 2021, the Bank's internal documentation establishing the methodologies for identifying, managing and stress-testing the Bank's significant risks, was approved by the authorised management bodies of the Bank in accordance with requirements and recommendations issued by the Bank of Russia.

The risk management policy aims to develop and maintain proper functioning of such internal processes and procedures that minimise the Bank's exposure to internal and external risk factors.

The Bank has the following distribution of authorities:

The responsibilities of the Board of Directors of the Bank include the establishment of the risk management framework, approval of approaches and methods to control the principal banking risks, as well as the maximum aggregate level of risk that can be covered by the Bank's capital and its sub-limits by individual types of risks. Control over the value of the main banking risks and the value of the aggregate banking risk, as well as its sub-limits, is assigned to the Risk Management Service of the Bank.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Bank operates within established risk parameters.

Risk Management Service is responsible for the overall risk management, as well as for monitoring the application of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks (excluding credit risk). To achieve its objectives the Risk Management Service of the Bank addresses the following objectives:

- implements and supports a comprehensive risk management system for banking risks, such as market risk (in particular, equity and foreign currency risks), interest rate risk, liquidity risk, reputation risk, country risk, strategic risk, operational risk, concentration risk;
- identifies origins of risks and their objects, performs risk classification and analysis;

- identifies, assesses and aggregates risks relevant for the Bank;
- recommendations regarding risk appetite level and other risk limits at the Bank, controls risk appetite levels set in the Bank;
- development of policies and procedures for stress-tests of the main risks of the Bank, performs such tests and back testing procedures;
- recommendations for management bodies of the Bank for risk mitigation in activities of the Bank;
- organisation of Risk Committee's work;
- monitoring, control and planning of the mandatory ratio N6;
- monitoring and subsequent control of mandatory ratios N2, N3, N4, N25, N1.0, N1.1, N1.2 and N1.4, as well as the open currency position of the Bank;
- control over transactions by the Bank's Treasury;
- elaboration of certain areas of risk management at the Bank.

The Risk Management Service reports directly to the President. The Risk Management Service of the Bank is not subordinated and does not report to divisions accepting relevant risks.

In order to manage credit risk, the Bank has established and maintains a Department of Analysis of Credit Limits and Operations, which reports to the Deputy President, whose responsibilities do not include monitoring the work of the credit risk-taking units.

The Board of Directors and management bodies of the Bank have responsibility for controlling the Bank's compliance with risk limits and capital adequacy ratios as established by the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application, the Board of Directors and its executive management bodies periodically discuss reports prepared by the Risk Management Service and Internal Audit Service, consider proposed corrective measures.

The management and risk control of the Bank, as well as risk management control, is exercised through the Credit Committee, the Assets and Liability Committee (the "ALC") and the Risk Committee.

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

- analysis of credit risks;
- decision-making regarding credit operations with legal entities and individuals;
- establishment of credit risk limits on operations with legal entities, individuals and counterparty banks.

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

- development and implementation of the tariff policy for the Bank's services, determination of material terms providing such services;
- approval of terms and conditions for new types of banking services;
- decision-making regarding relevance and sources of financing for proposed projects and financial programs;
- regulation of the Bank's asset and liability structure on the basis of a risk-reward analysis.

The main functions of the Risk Committee include the following: review of the Bank's risk management system, including but not limited to covering such risks as credit risk, market risk, operational risk, liquidity risk, strategic risk, reputation risk, legal risk, as well as other risks arising in the Bank's activity, the Bank's risk management strategy review; review of the Bank's internal regulatory documents on risk management, organisation of risk management process in the Bank; and review of risk assessment models used in the Bank, etc.

To assess an overall impact of the risks assumed, the Bank calculates and further analyses the economic capital and its correlation with available capital. To this end the Bank puts a part of the available (on hand) capital aside as a reserve (necessary to cover current and expected risks and, on the other hand, to ensure the Bank's continued business in case of such risks realisation) for the assumed aggregate risk and also allocates the economic capital between different risk types depending on their relevance to the Bank's activities. The Bank regularly plans its capital size subject to various external factors and planned banking operations.

In order to control the adequacy of own funds (equity), the Risk Management Service monitors daily the current value of capital adequacy indicators within the risk appetite system of the Bank and within the control over the amount of economic capital and its correlation with the amount of regulatory capital. The Risk Management Service informs the Board of Directors and the Risk Committee at least once a quarter of the adequacy of the available capital, and in case of identification (occurrence) of any material facts that may, adversely affect the capital adequacy ratio, such information shall be reported immediately.

The Risk Management Service prepares and submits reports to the Risk Committee on significant risks of the Bank on a monthly basis and complete reports on all risks and the capital adequacy ratio on a quarterly basis; having been considered by the Risk Committee, such information is also submitted to the Board of Directors for consideration at least once a quarter. Reports on stress testing results are considered by the Risk Committee and the Board of Directors at the following intervals:

- on market risk (interest rate risk of the business book, foreign exchange, equity and commodity risk) and interest rate risk of the Bank's book, at least once a half a year;
- on credit risk, operational risk and concentration risk - at least once a year.

In compliance with the Bank's internal documents the Risk Management Service and Internal Audit Service periodically prepare reports on management of the Bank's significant risks. The reports include observations as to assessment of the effectiveness of the Bank's procedures and methodologies, and recommendations for improvement.

The Bank calculates mandatory ratios on a daily basis in accordance with the requirement of the CBR. As at 1 January 2021 and 1 January 2020 the amounts of the Bank mandatory ratios comply with the limits set by the Bank of Russia, and did not exceed the Bank's internal limits and signal values.

There were no changes to the Bank's risk management procedures during 2020.

Brief description of the risk management procedures and risk assessment methods:

Credit risk

According to the Bank of Russia Ordinance dated 15 April 2015, No. 3624-U "On Requirements to the System of Risk Management and Capital Management of a Credit Organisation and Banking Group" (as amended), credit risk is a risk arising in relation to the probability of nonfulfillment of contractual obligations by the borrower or counterparty to the Bank. Under IFRS 7 *Financial Instruments: Disclosures*, credit risk is the risk that one party to a financial instrument will incur losses as a result of the other party failure to perform its financial obligations.

The Bank has in place the credit policy and procedures governing the assessment of financial position of a borrower, procedure of making decision on loan issue and procedure of monitoring of its timely repayment. Risk per a single borrower or a group of related borrowers, maximum amount of large credit exposures, maximum risk per one related party of the Bank (group of related parties) is additionally restricted by the internal limits, the values of which are set at the level below the numeric values of mandatory norms set by the Bank of Russia.

As at 1 January 2021 and 1 January 2020 the Bank complied with all mandatory ratios set to limit the value of credit exposures set by the Bank of Russia.

The Bank also limits the concentration of risks related to individual customer, counterparties and issuers of securities and to groups of interrelated customers. Credit risk is managed through regular analysis of a borrower's creditworthiness and through change/adjustment of credit limits, if necessary.

The purpose of credit risk management is to maintain the risk assumed by the Bank 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 the Bank;
- 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 the Bank;
- forecasting the risk level of the loan portfolio of the Bank with the aim of adopting adequate methods of its regulation;
- reducing the risk of the loan portfolio of the Bank and maintaining an acceptable ratio of profitability and risk indicators in the process of asset and liability management.

Current risk management system implemented in the Bank provides for the following:

- diversification of the Bank's loan and investment portfolio;
- preliminary analysis of the credit quality of the borrower (the Bank carries out the validation of the borrower's credit history, studies the borrower's reputation, analyses financial and economic activities of the customer, studies the borrower's ability to repay the debt, analyses loan security and other possible factors) and the classification of loans and equivalent debt in accordance with the regulations of the Bank of Russia;
- establishing the limit of powers of collegial bodies and officials of the Bank;
- establishing credit risk limits;
- control over the loans issued before;
- preparation of the regular reporting on the credit risk level as part of the integrated reports covering all risks of the Bank.

The Board of Directors determines the Bank's credit risk management strategy. The Bank's Management Board, in its turn, is a body, which manages credit risk and is accountable to the Board of Directors. Decisions on granting loans are made by the Credit Committee (subject to final approval by the decision of the President of the Bank who may put a veto on favourable decision of the Credit Committee, in this case the President of the Bank may not make a favourable decision if the Credit Committee has made a negative decision) and who also determines the threshold amounts (limits) of lending of the borrowers and counterparty banks, timing and conditions of loan granting. Meetings of the Credit Committee are held on a regular basis.

The Bank operates within the framework of credit limits set for the Bank by the Head Office of ICBC Ltd, (The "Head Office") on the annual basis. If the Bank needs to operate beyond the established limits, the Bank is required to receive a preliminary approval (or review of the established credit limit) by the Head Office or apply to the Head Office for special approval on the basis of an application sent. As the credit limits established by the Head Office of the Bank exceed the value of the norm H6 of the Bank, no approval of the Head Office for granting loans by the Bank is required.

The Bank performs annual revision of credit limits and their terms for credit organisation, as well as revision of credit limits and their conditions if a credit risk of a credit organisation increases.

In order to assess the Bank's credit risks and the financial position of borrowers and calculate the maximum limit of possible credit risks for each borrower (group of borrowers), the Bank has established a separate structural unit, that is the Department of Analysis of Credit Limits and Operations, which at the same time is responsible for credit analysis, identification and control of credit risks and for development and update of internal regulatory documents of the Banks related to credit risks. Customer managers submit the loan applications to the Department of Analysis of Credit Limits and Operations for financial analysis and consideration.

Methodological and practical approaches used in the process of credit risk assessment are set out in the Bank's internal documents regulating the procedure of active operations. The above-mentioned regulatory documents of the Bank are approved by the Bank's Management Board. Credit risk assessment is carried out by the Bank for all loan and equivalent indebtedness simultaneously with transactions, and thereupon – on a regular basis

When calculating the mandatory norms and determining the amount of its own funds (equity) the Bank considers provisions for impairment on financial assets established in accordance with the Regulation of the Bank of Russia No. 590-P, Regulation of the Bank of Russia No. 611-P and Instruction of the Bank of Russian No. 2732-U.

Credit risk minimisation is ensured by a strictly regulated approach to lending operations provided for by the internal regulatory documents of the Bank. The credit risk management mechanism includes:

- application of lending standards and formalised procedures at the stages of decision-making on lending (collateral liquidity assessment, analysis of the borrowers' and counterparties' financial status, determining the degree of risk), registration and issuance of loans;

- pricing and determining a loan term with due account of the risk;
- continuous monitoring of loan debt;
- timely making the management decisions in case of credit quality deterioration;
- formation of provisions for impairment on loans in accordance with the requirements of the Bank of Russia;

- compliance with mandatory performance standards set by the Bank of Russia: maximum risk exposure per a borrower or group of related borrowers (N6), Maximum major credit exposures ratio (N7), total exposure on bank's insiders ratio (N10.1), utilisation ratio of own funds (capital) for purchase of shares (interest) of other legal entities (N12), as well as the ratio of maximum risk exposure per related party or group of related parties of the Bank (N25).

In accordance with the current accounting policy of the Bank, only those securities, which meet the criteria of I or II collateral quality categories established by the Regulation of the Bank of Russia No. 590-P, are considered as security of the counterparties' credit liabilities to the Bank. Currently, the securities (surety, collateral) provided against the corporate customer loans are not used to minimise a provision. In certain cases, a guarantee deposit is accepted as a security minimising provisions under the bank guarantees issued to the subsidiaries, which are controlled by the current customers of the Head Office. The use of a mechanism of collateral of the right of claims under the collateral account agreement can be also used with regard to the above-mentioned lending operations.

The system of monitoring the status of loan and equivalent indebtedness allows to identify the problem assets in a timely manner and immediately take the necessary measures to minimise credit risks. During the reporting period the Bank has no credit liabilities in its balance sheet, with regard to which measures of writing off of financial assets or force reclamation of debt have been applied.

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

To comply with the requirements of the Bank of Russia and IFRS 9 *Financial Instruments*, the Bank has worked out approaches to calculation of expected credit losses and recognition of adjustments of provisions.

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

The maximum exposure to credit risk from the Bank's financial assets at the reporting date is as follows:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Amounts due from the Central Bank of the Russian Federation	3,789,592	4,096,198
Amounts due from credit institutions	16,812,261	4,696,814
Financial assets measured at fair value through profit or loss	621,228	783,509
Net loan debt measured at amortised cost	48,334,122	40,911,481
Net investments in securities and other financial assets at amortised cost (other than outstanding loans)	10,106,548	9,098,615
Other financial assets	81,658	1,312
Total maximum exposure to credit risk	79,745,409	59,587,929

Maximum exposure to credit risk with regard to credit-related commitments as at 1 January 2021 and 1 January 2020 is disclosed in Note 4.9.

Nature and value of collateral

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. The Bank has established principles on the admissibility of types of security and assessment parameters.

The following table provides information on collateral received by the Bank:

	1 January 2021 RUB'000	1 January 2020 RUB'000
Property (total):	1,068,314	1,191,461
including decreasing the estimated allowance:	-	-
Guarantees (total):	4,969,503	4,631,664
including decreasing the estimated allowance:	-	-
Guarantee deposit (total):	222,553	270,105
including decreasing the estimated allowance:	222,553	270,105

As at 1 January 2021 and 1 January 2020 a major part of collateral received by the Bank refers to the collateral of the 1st quality category.

Guarantee deposits accepted as a reduction of the provision meet the requirements of paragraph 6.2.2 of Bank of Russia Regulation No. 590-P dated 28 June 2017 "On the Procedure for the Formation of Provisions for Impairment on Loans, Loan Debt and Equivalent Indebtedness".

The guarantors of the security received, i.e. guarantees, are the non-resident banks having the following long-term credit ratings: S&P – A, Moody's – A1.

Results of asset classification by quality categories, the amount of the estimated and actually formed allowance for impairment

Classification of the assets estimated for the purpose of creation of an allowance for impairment by quality categories is given according to data of the reporting form 0409115, excluding the events after the reporting date.

Quality category	1 January 2021 RUB'000	Allowance estimated	Allowance formed	Adjustment of allowance for ECL	1 January 2020 RUB'000	Allowance estimated	Allowance formed	Adjustment of allowance for ECL
Category 1	46,564,247	-	-	36,257	38,042,069	-	-	(32,947)
Category 2	13,387,287	142,530	142,530	183,375	14,033,220	140,332	140,332	(17,531)
Category 3	163,179	34,267	31,043	(30,205)	77,370	16,249	13,986	13,710
Category 5	57,190	57,190	57,190	-	75,496	75,496	75,496	-
Total	60,171,903	233,987	230,763	189,427	52,228,155	232,077	229,814	(36,768)

Allowance formed for quality categories 2, 3 and 5 refer to the loan receivables (line 5 of the form 0409806 (Net loan receivables) and other assets (line 13 of the form 0409806 (Other assets)).

Information on the amount of allowance for impairment, their change and impact on the amount of credit risk is disclosed by the Bank in a separate document "Information on Accepted Risks, Procedures of their Assessment, Risk management and Capital Management of the Bank" placed on the Bank's website.

The amount and terms of overdue debt

One of the indicators of the risk exposure of assets is the amount of overdue debt.

As at 1 January 2021, the Bank has no overdue debt for all types of assets.

Risk concentration by geographic areas

The concentration risk in the context of the regions of the Bank's presence is possibility (probability) of losses arising as a result of adverse economic changes in the region in which the Bank and/or the counterparty of the Bank operates.

The table below provides information on the risk concentration in respect of assets and liabilities of the Bank by geographic regions, according to the items of the reporting form 0409806 (Balance sheet (published form)) as at 1 January 2021 and 1 January 2020.

Information is given separately for the Russian Federation, for the group of developed countries (OECD member states), for other countries, as well as separately for the PRC (People's Republic of China).

Information on the risk concentration by geographic areas as at 1 January 2021 is provided in table below.

RUB'000	Russia	Group of developed countries (OECD)	Other countries	China	TOTAL
Cash	42,393	-	-	-	42,393
Amounts due from the Central Bank of the Russian Federation	3,789,592	-	-	-	3,789,592
<i>including:</i>	553,035	-	-	-	553,035
<i>Obligatory reserves</i>					
Amounts due from credit institutions	3,211,124	39,384	38	13,561,715	16,812,261
Financial assets measured at fair value through profit or loss	621,228	-	-	-	621,228
Net loan debt measured at amortised cost	48,187,135	-	146,987	-	48,334,122
Net investments in securities and other financial assets at amortised cost (other than outstanding loans)	7,814,554	-	-	2,291,994	10,106,548
Current income tax asset	292	-	-	-	292
Fixed assets, intangible assets and inventories	382,003	-	-	-	382,003
Other assets	80,603	76	256	723	81,658
Total assets	64,128,924	39,460	147,281	15,854,432	80,170,097
Amounts due to credit institutions measured at amortised cost	13,025,515	6,083	21,065	17,763,643	30,816,306
Amounts due to customers other than credit institutions at amortised cost	26,849,325	1,758	7,256,978	1,363,199	35,471,260
<i>Including deposits (funds) of individuals and individual entrepreneurs</i>	11,152	-	-	40,363	51,515
Current income tax liabilities	81,540	-	-	-	81,540
Deferred tax liability	17,821	-	-	-	17,821
Other liabilities	1,277,614	85	27,590	3,756	1,309,045
Provisions for contingent credit-related commitments, other losses and transactions with offshore residents	49,139	-	-	-	49,139
Total liabilities	41,300,954	7,926	7,305,633	19,130,598	67,745,111
Net position (assets less liabilities)	22,827,970	31,534	(7 158 352)	(3 276 166)	12,424,986

Information on the risk concentration by geographic areas as at 1 January 2020 is provided in table below.

RUB'000	Russia	Group of developed countries (OECD)	Other countries	China	TOTAL
Cash	62,532	-	-	-	62,532
Amounts due from the Central Bank of the Russian Federation	4,096,198	-	-	-	4,096,198
<i>including:</i>					
<i>Obligatory reserves</i>	330,237	-	-	-	330,237
Amounts due from credit institutions	28,120	152,561	4	4,516,129	4,696,814
Financial assets measured at fair value through profit or loss	783,509	-	-	-	783,509
Net loan debt measured at amortised cost	36,580,348	2,491,817	65,309	1,774,007	40,911,481
Net investments in securities and other financial assets at amortised cost (other than outstanding loans)	8,653,951	-	-	444,664	9,098,615
Fixed assets, intangible assets and inventories	80,987	-	-	-	80,987
Other assets	1,632	-	817	-	2,449
Total assets	50,287,277	2,644,378	66,130	6,734,800	59,732,585
Amounts due to credit institutions measured at amortised cost	14,566,220	793	279	9,617,848	24,185,140
Amounts due to customers other than credit institutions at amortised cost	21,010,653	1,344	12,527	1,523,700	22,548,224
<i>Including deposits (funds) of individuals and individual entrepreneurs</i>	13,782	-	-	37,892	51,674
Current income tax liabilities	25,306	-	-	-	25,306
Other liabilities	178,416	277	29,831	-	208,524
Provisions for contingent credit-related commitments, other losses and transactions with offshore residents	30,540	165	247	-	30,952
Total liabilities	35,811,135	2,579	42,884	11,141,548	46,998,146
Net position (assets less liabilities)	14,476,142	2,641,799	23,246	(4,406,748)	12,734,439

Market risk

According to the Bank of Russia Ordinance dated 15 April 2015, No. 3624-U "On Requirements to the System of Risk Management and Capital Management of a Credit Organisation and Banking Group", *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.

As at 01 January 2021, the Bank had no equity risk, trading book interest rate risk and commodity risk due to the absence of assets exposed to these types of market risk on its balance sheet.

The objective of market risk management is to maintain the Bank's exposure to market risk at an acceptable level determined by the Bank in accordance with its business strategy. The priority is to ensure maximum safety of the Bank's assets and capital by reducing (avoiding) potential losses and profit risks associated with the Bank's operations in financial markets, as well as other operations of the Bank related to taking market risk.

In order to control and manage the market risk, the Bank has adopted the Regulation on the Organisation of Market Risk Management (approved by the Resolution of the Board of Directors, Minutes No. 12-16 dated 28 December 2016) and other internal documents regulating the procedure for conducting operations exposed to market risk (stock, interest rate, currency risk), set the threshold values (limits) of market risk indicators, as well as a limit on the aggregate market risk.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a monthly basis and reviewed and are approved by the Risk Committee and quarterly by the Board of Directors.

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

Currency risk

Currency risk, as defined by Bank of Russia Regulation No. 511-P "On the Procedure for Calculation of Market Risk by Credit Institutions" dated 03.12.2015 (the "Bank of Russia Regulation No. 511-P"), is the market risk on the Bank's open positions in foreign currencies and gold.

The Bank has assets and liabilities denominated in several foreign currencies.

The Bank controls the currency risk level by complying with the open currency position ('OCP') limits on a daily basis.

The Bank establishes a limit at the end of each transaction day on the risk level taken with respect to each of the basic trading foreign currencies and controls compliance with the limit on a daily basis. Foreign exchange risk is minimised through a balanced OCP permitting to ensure the required liquidity by foreign currency.

The tool for management decision-making in the field of foreign exchange risk, used by the Bank, is its evaluation using delta-normal method (VAR) for financial instruments denominated in foreign currencies and gold. This technique is adapted to the Russian foreign exchange market through the introduction of the base currency - the Russian rouble, groups of foreign currencies and forecasts adjustment based on the analysis of the variability dynamics and relationships of the exchange rates to the Russian rouble, which allows using this approach in the Bank. As a result of application of this technique, the Bank receives daily assessments of impairment (in Russian roubles) with a probability of 99% due to exchange rate changes, for positions in each currency and in total for the general open currency position of the Bank.

To calculate the risk parameter using VAR delta normal method, it is necessary to form a risk factor sample, and in order to ensure representativeness, the number of sample values must be 250 or more (the recommendation of the Bank of International Settlements). Proper use of VAR method in the delta normal method of calculation is achieved by using only the risk factors subject to normal (Gaussian) distribution law.

After the construction of the historical series of numbers, it is necessary to determine the daily yield of the instrument using the following formula:

$$D = \ln \frac{P_i}{P_{i-1}}$$

where: D is the daily yield;

P_i is the current value of an instrument ;

P_{i-1} is the previous value of an instrument.

After that, it is necessary to calculate the mathematical yield expectation (the average for the period under review) and the standard yield deviation for the entire period.

The next step is to calculate the quantile of the normal distribution function - the value of the distribution function (Gaussian function) for given values where distribution values do not exceed this value with a certain probability. Quantile indicates that financial instrument losses will not exceed (with a probability of 99%) a certain value.

To calculate the instrument value with a probability of 99% the next day (X1), it is necessary to multiply the latest (current) value of the instrument value by the quantile summed up with a unit.

$$X_{t+1} = (Q + 1) * X_t$$

where: Q is the quantile value for the normal instrument distribution;

X_t is the current instrument yield value;

X_{t+1} is the instrument yield value in the next period of time.

To calculate the stock value for a few days in advance (X2) with a given probability, the following formula is used:

$$X_{t+n} = X_t * (1 + Q * \sqrt{n})$$

where: Q is the quantile value for the normal instrument distribution;

X_t is the current shares yield value;

X_{t + 1} is the yield deviation value in the next period of time;

n is the number of days in advance.

The resulting value (X1) indicates that for the next day, the financial instrument quotation deviation shall not exceed the obtained value with a probability of 99%. And (X2) indicates that over the next five days with a probability of 99% the financial instrument quotation deviation shall not exceed the obtained value.

To calculate the VAR (value of potential losses), the absolute and relative value of losses is calculated by correlating the current price of a financial instrument and the resulting value.

Currency risk management procedures are carried out in stages:

- identification of risk - open foreign currency position is identified, and the extent of its exposure to risk is determined;
- quantitative assessment of the exchange rate risk;
- limiting - putting limitations on the amount of risk for a particular currency;
- hedging - offers taking the opposite position with respect to the original one;
- diversification - distribution of assets and liabilities by various components, both at the level of instruments and their components.

Based on the exchange rate risk analysis:

- relative ratio of the maximum value of open foreign currency position of the Bank is set (limitation of open currency position);
- relative ratio of the maximum value of open foreign currency position for each foreign currency is set.

In order to control currency risk, the Bank monitored its open currency position on a daily basis throughout 2020 and analysed the impact of this type of risk on the capital and financial result of ICBC Bank (JSC).

In accordance with the internal model of currency risk assessment, the Value At Risk (VAR) for 1 day as of 1 January 2021 was 21,06 million roubles, the Value At Risk for a 5-day range was 47,10 million roubles.

The Bank monitors market risk on a regular basis. 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.

Risk concentration by types of currencies

The Bank carries out operations in five foreign currencies (US dollars, Euro, Chinese Yuan, Singapore dollars and Hong Kong dollars).

The structure of assets and liabilities with breakdown by foreign currencies as at 1 January 2021 and 1 January 2020 can be presented as follows. Information is provided in thousands of roubles.

As at 1 January 2021 (RUB'000):

Assets and liabilities	RUB (810)	USD (840)	EUR (978)	CNY (156)	HKD (344)	SGD (702)	TOTAL
Cash	13,967	18,611	9,815	-	-	-	42,393
Amounts due from the Central Bank of the Russian Federation	3,789,592	-	-	-	-	-	3,789,592
<i>including: Obligatory reserves</i>	553,035	-	-	-	-	-	553,035
Amounts due from credit institutions	24,855	3,596,691	498,750	12,674,060	16,628	1,277	16,812,261
Financial assets measured at fair value through profit or loss	-	621,228	-	-	-	-	621,228
Net loan debt measured at amortised cost	30,646,284	11,086,085	6,095,502	506,251	-	-	48,334,122
Net investments in securities and other financial assets at amortised cost (other than outstanding loans)	7,814,554	-	-	2,291,994	-	-	10,106,548
Current income tax asset	292	-	-	-	-	-	292
Fixed assets, intangible assets and inventories	382,003	-	-	-	-	-	382,003
Other assets	933	76	723	79,926	-	-	81,658
Total assets	42,672,480	15,322,691	6,604,790	15,552,231	16,628	1,277	80,170,097
Amounts due to credit institutions measured at amortised cost	3,197,434	9,006,941	5,534,359	13,060,074	16,324	1,174	30,816,306
Amounts due to customers other than credit institutions at amortised cost	27,151,274	6,308,011	282,655	1,729,075	245	-	35,471,260
<i>Including deposits (funds) of individuals and individual entrepreneurs</i>	24,881	22,674	-	3,960	-	-	51,515
Current income tax liabilities	81,540	-	-	-	-	-	81,540
Deferred tax liability	17,821	-	-	-	-	-	17,821
Other liabilities	523,131	29,399	-	756,515	-	-	1,309,045
Provisions for contingent credit-related commitments, other losses and transactions with offshore residents	49,139	-	-	-	-	-	49,139
Total liabilities	31,020,339	15,344,351	5,817,014	15,545,664	16,569	1,174	67,745,111
Net position (assets less liabilities)	11,652,141	(21,660)	787,776	6,567	59	103	12,424,986

As at 1 January 2020 (RUB'000):

Assets and liabilities	RUB (810)	USD (840)	EUR (978)	CNY (156)	HKD (344)	SGD (702)	TOTAL
Cash	26,821	28,198	7,513	-	-	-	62,532
Amounts due from the Central Bank of the Russian Federation	4,096,198	-	-	-	-	-	4,096,198
<i>including: Obligatory reserves</i>	330,237	-	-	-	-	-	330,237
Amounts due from credit institutions	21,627	380,678	62,802	4,216,956	14,015	736	4,696,814
Financial assets measured at fair value through profit or loss	-	783,509	-	-	-	-	783,509
Net loan debt measured at amortised cost	17,351,577	16,462,060	4,990,290	2,107,554	-	-	40,911,481
Net investments in securities and other financial assets at amortised cost (other than outstanding loans)	8,653,817	-	-	444,798	-	-	9,098,615
Fixed assets, intangible assets and inventories	80,987	-	-	-	-	-	80,987
Other assets	1,303	245	84	817	-	-	2,449
Total assets	30,232,330	17,654,690	5,060,689	6,770,125	14,015	736	59,732,585

Assets and liabilities	RUB (810)	USD (840)	EUR (978)	CNY (156)	HKD (344)	SGD (702)	TOTAL
Amounts due to credit institutions measured at amortised cost	5,247,342	9,144,545	4,609,018	5,169,865	13,667	703	24,185,140
Amounts due to customers other than credit institutions at amortised cost	13,217,734	7,447,957	412,801	1,469,597	135	-	22,548,224
<i>Including deposits (funds) of individuals and individual entrepreneurs</i>	9,166	39,829	-	2,679	-	-	51,674
Current income tax liabilities	25,306	-	-	-	-	-	25,306
Other liabilities	146,324	30,110	31	32,028	31	-	208,524
Provisions for contingent credit-related commitments, other losses and transactions with offshore residents	30,952	-	-	-	-	-	30,952
Total liabilities	18,667,658	16,622,612	5,021,850	6,671,490	13,833	703	46,998,146
Net position (assets less liabilities)	11,564,672	1,032,078	38,839	98,635	182	33	12,734,439

Equity risk

By engaging in securities market transactions, the Bank assumes equity risk.

Equity risk, as defined by Bank of Russia Regulation No. 511-P, refers to the amount of market risk on securities and derivative financial instruments that are sensitive to changes in the fair value of equity securities.

The tool for management decision-making in the field of equity risk, used by the Bank, is its evaluation using delta-normal method (VAR) for equity financial instruments relating to the trading portfolio. In the measurement of equity risk, the extent of possible changes in the price of equity financial instrument in a given period of time is measured.

The principal methods of equity risk management applied in the Bank include:

- establishing limits on issuers of equity financial instruments;
- establishing limits on transactions in equity financial instruments;
- establishing limits on dealers to carry out operations on the purchase or sale of equity financial instruments;
- establishing maximum loss limits (stop loss) on equity financial instruments.

As at 1 January 2021 the Bank had no equity risk as there were no assets exposed to this type of risk in the Bank's balance sheet.

Commodity risk

Commodity risk, as defined by Bank of Russia Regulation No. 511-P, refers to the amount of market risk on commodities, including precious metals (except gold) and derivative financial instruments that are sensitive to changes in commodity prices.

The tool for management decision-making in the field of foreign exchange risk, used by the Bank, is its evaluation using delta-normal method for financial instruments denominated in commodities and precious metals (except gold).

The principal methods of commodity risk management applied in the Bank include: The principal methods of equity risk management applied in the Bank include:

- establishing limits on certain groups of goods and precious metals;
- establishing limits on dealers to carry out operations on the purchase or sale of commodities and precious metals;
- establishing maximum loss limits (stop loss) for the group of goods and precious metals.

As at 1 January 2021 the Bank had no commodity risk as there were no assets exposed to this type of risk in the Bank's balance sheet.

Trading book interest rate risk is the risk of losses due to adverse changes in interest rates of the trading book and debt securities trading portfolio instruments, derivative financial instruments.

The tool for management decision-making in the field of trading book interest rate risk, used by the Bank, is its evaluation using delta-normal method (VAR) for debt financial instruments relating to the trading portfolio and derivatives.

The principal methods of trading book interest rate risk management applied in the Bank include:

- establishing limits on issuers of debt financial instruments;
- establishing limits on transactions with debt financial instruments;
- establishing limits on dealers to carry out operations on the purchase or sale of debt financial instruments;
- establishing maximum loss limits (stop loss) on debt financial instruments,

As at 1 January 2021 the Bank had no trading book interest rate risk as there were no assets exposed to this type of risk in the Bank's balance sheet.

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

Banking book interest rate risk

In accordance with the Bank of Russia Instruction No.3624-U, interest rate risk is the risk of adverse changes in the financial position of the Bank resulting from reduction in capital, income, value of assets due to changes in the market interest rates.

The main sources of interest rate risk are:

- differences in maturities of assets, liabilities, and off-balance sheet claims and liabilities on instruments with a fixed interest rate;
- differences in maturities of assets, liabilities and off-balance sheet claims and liabilities on instruments with variable interest rate (interest rate risk);
- configuration changes in the yield curve on long and short positions in financial instruments of one issuer, creating a risk of losses as a result of exceeding of potential expenses over income upon the closing of such positions (the yield curve risk);
- for financial instruments with fixed interest rate in case of coincidence of repayment period – the discrepancy between the rate of change of interest rates on attracted and placed by the Bank resources; for financial instruments with floating interest rate, provided the same frequency of revision of floating interest rate - the discrepancy between the rate of change of interest rates (basis risk);
- wide application of option transactions with traditional interest instruments that are sensitive to changes of interest rates (bonds, loans, mortgage loans, securities and other), which generate the risk of loss resulting from non-execution of obligations of one of the parties to the transaction (option risk).

The Bank is exposed to the impact of fluctuations of prevailing market interest rates on its 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 occur.

For the analysis and assessment of banking book interest rate risk Bank ICBC (JSC) applies the duration method, as well as GAP analysis using VAR (Value At Risk) with the delta normal method.

The Bank applies the following approaches (standards) for the organisation of management of the banking book interest rate risk:

- distribution of powers and responsibilities between management bodies of the Bank;
- determination of rules and procedures for management of the banking book interest rate risk;
- carrying out measures to limit and minimise the banking book interest rate risk in case of exceeding the threshold values (limits) of this risk;
- organisation of internal control over the management of interest rate risk.

System for measurement of banking book interest rate risk of the Bank should provide for:

- coverage of all significant sources of interest rate risk associated with the transactions of the Bank, including those with off-balance sheet financial instruments;
- use of generally recognised financial concepts and risk measurement techniques;
- identifying occurrence of excessive exposure of the Bank to the risk (risk concentration);
- methodological support and documentation of risk assessment procedures.

Interest rate risk management includes both asset and liabilities management of the Bank. However, the control options are limited by liquidity requirements and credit risk of asset portfolio, the set and value of debt instruments which the Bank may allocate to creditors and depositors, as well as price competition from other financial institutions. Structuring the balance sheet once the Bank position on revaluation is determined may be aimed at reducing the gap to a level close to zero, with the aim to protect the Bank from the impact of interest rates fluctuations, or at creating such a revaluation structure, in which the predicted movement of interest rates will provide additional income.

During the reporting period the Bank did not make any changes in the methodology of banking book interest rate risk assessment and control.

As at 1 January 2021 an interest rate risk ratio calculated according to the methodology on the basis of Basel Committee using a GAP-analysis was 1.29 within an interval below 1 year.

Financial instruments exposed to interest rate risk	On demand and less than 30 days	Less than 90 days	Less than 180 days	Up to 1 year	Up to 3 years	Over 3 years	TOTAL
Net loans receivables, including financial assets at fair value through profit or loss	36,433,920	9,314,946	2,469,909	332,528	464,383	-	49,015,686
Net investments in securities held to maturity	-	98,163	27,517	1,277,678	4,501,728	4,219,534	10,124,620
Total assets	36,433,920	9,413,109	2,497,426	1,610,206	4,966,111	4,219,534	59,140,306
Total cumulative assets	36,433,920	45,847,029	48,344,455	49,954,661	54,920,772	59,140,306	-
Amounts due to credit institutions	4,534,120	5,171,299	3,693,785	-	-	-	13,399,204
Amounts due to customers other than credit institutions	24,730,238	222,168	-	443,489	-	165,385	25,561,280
Total liabilities	29,264,358	5,393,467	3,693,785	443,489	-	165,385	38,960,484
Total cumulative liabilities	29,264,358	34,657,825	38,351,610	38,795,099	38,795,099	38,960,484	-
GAP	7,169,562	4,019,642	(1 196 359)	1,166,717	4,966,111	4,054,149	20,179,822
Cumulative GAP	7,169,562	11,189,204	9,992,845	11,159,562	16,125,673	20,179,822	-
Gap ratio	1.24	1.32	1.26	1.29	1.42	1.52	

As of 1 January 2020, the banking book interest rate risk had the following values:

Financial instruments exposed to interest rate risk	On demand and less than 30 days	Less than 90 days	Less than 180 days	Up to 1 year	Up to 3 years	Over 3 years	TOTAL
Net loans receivables, including financial assets at fair value through profit or loss	24,299,331	12,888,813	2,071,506	381,502	778,278	-	40,419,430
Net investments in securities held to maturity	6,829,578	360	748,197	442,969	42,841	1,038,207	9,102,152
Total assets	31,128,909	12,889,173	2,819,704	824,471	821,119	1,038,207	49,521,583
Total cumulative assets	31,128,909	44,018,082	46,837,786	46,927,705	48,483,376	49,521,583	
Amounts due to credit institutions	7,900,950	4,333,399	3,873,705	-	-	-	16,108,054
Amounts due to customers other than credit institutions	11,228,828	3,863,891	20,288	377,538	-	-	15,490,545
Total liabilities	19,129,777	8,197,290	3,893,992	377,538	-	-	31,598,597
Total cumulative liabilities	19,129,777	27,327,068	31,221,060	31,598,598	31,598,598	31,598,598	
GAP	11,999,132	4,691,883	(1 808 840)	446,933	1,555,671	1,038,207	17,922,985
Cumulative GAP	11,999,132	16,691,015	14,882,174	15,329,107	16,884,778	17,922,985	17,922,985
Gap ratio	1.63	1.61	1.50	1.51	1.53	1.57	

In assessment of interest rate risk considered are only the financial instruments exposed to fluctuations in market rates. Value of the financial instruments is specified before deduction of allowance for expected credit losses. In accordance with the Bank's internal methodology, calculations of the interest rate risk exclude funds on the correspondent accounts with credit organisations, correspondent accounts and bills receivable of credit organisations, as well as current/settlement accounts of the customer, including interest-bearing balances. This adjustment has been made due to non-existence of correlation (given the historic data) between the market change of interest rates and change of interest rates on these instruments.

Liquidity risk

According to Bank of Russia Instruction No. 3624-U, liquidity risk refers to the risk of the Bank's inability to finance its operations, i.e. to ensure the growth of assets and meet its obligations as they fall due without incurring losses in the amount threatening the Bank's financial stability. Liquidity risk appears when the terms of active and passive transactions are misbalanced.

The Bank has a liquidity management policy, which aims at ensuring the Bank's control over the liquidity position and timely and full repayment of current liabilities. Liquidity management policy is reviewed and approved by the Board of Directors of the Bank.

During the liquidity risk management process, the Bank is guided by the following basic principles:

- liquidity management is carried out on a daily basis and continuously;
 - the methods and tools of liquidity risk assessment applied should not contradict the regulation of the Bank of Russia, risk management strategy, practices of the Head Office of ICBC Group.
 - the Bank shares the authorities and responsibility for liquidity risk management between the management bodies of the departments and business units;
 - limits are set that ensure the adequate level of liquidity and meet the size, nature of business and financial position of the Bank;
 - when making decisions the Bank resolves the conflict between liquidity and profitability in favour of liquidity;
 - each transaction affecting the liquidity status shall be considered when calculating liquidity risk.
- When assets are invested in various financial instruments, the Bank strictly accounts the maturity of the source of resources and its amount;
- large transactions are analysed tentatively for their compliance with the current state of liquidity and established limits;
 - planning of needs in liquidity.

The following factors may contribute to the increased liquidity risk:

- loss of trust to the banking system as a whole and (or) the Bank in particular;
- dependence on one market or a small number of partners in raising deposits;
- excessive short-term borrowings and long-term lending.

Liquidity needs of the Bank may be considered in terms of supply and demand. Sources of supply of liquid assets include:

- taking deposits, cash flows to customer accounts;
- repayment by borrowers of previously received loans;
- sale of assets;
- raising funds on the money market;
- income received.

The sources of demand for liquid assets include:

- withdrawals from deposits (current accounts) of customers;
- applications for loans;
- payment of bank charges;
- payment of dividends to shareholders.

Supply and demand situation determines the net liquidity position (surplus or shortage of liquid assets) at any time. This item shall be calculated on a daily basis, which allows planning the forthcoming needs or possible release of funds.

The Bank establishes the following requirements for the management of assets and liabilities in terms of liquidity management:

- liquidity is managed by the designated units and employees;
- liquidity management is carried out on a daily basis and continuously;
- liquidity management is based on the analysis of cash flows, taking into account the actual deadlines of assets disposal, demand and settlement of obligations;
- information about future receipt or write-off of cash from the business units is transferred immediately;
- liquidity needs are planned;
- measures to restructure resources in case of a lack of liquidity are developed and taken;
- measures to restore liquidity in case of emergency are developed and taken;
- stress testing is carried out.

The main component of liquidity risk to be controlled is instant, current and long-term liquidity.

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). Also, on a regular basis (once every six months), the Bank conducts stress tests of the liquidity risk 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. The plan of priority measures in the event of a liquidity crisis lists the events that may cause the loss of liquidity by the Bank, determines the collegial bodies of the Bank – the Risk Committee, the Board and/or the ALCO, that arrange for 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 sufficient liquid assets. The structure of the Bank's assets and liabilities distribution, as well as the net liquid position of the Bank were maintained throughout the reporting period at a high level, no violations of the liquidity deficit limits established by the Bank were recorded (see table below for the structure of the Bank's asset and liability distribution, in thousand roubles).

The table below shows the structure of the Bank's financial assets and financial liabilities, except for the stable balances, is presented in table below (in thousand roubles).

As at 1 January 2021:

	On demand and less than 1 day	Less than 7 days	Less than 30 days	Less than 90 days	Less than 180 days	Up to 1 year	Over 1 year	Total
Cash	42,393	-	-	-	-	-	-	42,393
Correspondent accounts and receivables with the CBR	20,034,689	-	-	-	-	-	-	20,034,689
Balances at Stock Exchange	14,949	-	-	-	-	-	-	14,949
Interbank loans	-	-	23,208,962	4,041,440	1,379,246	332,528	464,383	29,426,559

	On demand and less than 1 day	Less than 7 days	Less than 30 days	Less than 90 days	Less than 180 days	Up to 1 year	Over 1 year	Total
Loans	-	-	3,918,222	655,810	737,627	2,406,907	11,870,561	19,589,127
Securities	-	-	-	98,163	27,517	1,277,678	8,721,262	10,124,620
Accounts receivable	-	-	-	-	-	-	121,926	121,926
TOTAL ASSETS	20,092,031	-	27,127,184	4,795,413	2,144,390	4,017,113	21,178,132	79,354,263
Cumulative assets	20,092,031	20,092,031	47,219,215	52,014,628	54,159,018	58,176,131	79,354,263	
LORO accounts (<i>except for stable balances</i>)	10,884,940	-	-	-	-	-	-	10,884,940
Interbank loans	-	-	4,534,120	-	-	-	8,865,084	13,399,204
Current accounts (<i>except for stable balances</i>)	3,249,790	-	-	-	-	-	-	3,249,790
Deposits	-	-	24,730,238	222,168	-	443,489	165,385	25,561,280
Accounts payable	1,518,101	-	-	-	-	-	-	1,518,101
TOTAL liabilities	15,652,831	-	29,264,358	222,168	-	443,489	9,030,469	54,613,315
Cumulative liabilities	15,652,831	15,652,831	44,917,189	45,139,357	45,139,357	45,582,846	54,613,315	
Net gap	4,439,200	-	(2,137,174)	4,573,245	2,144,390	3,573,624	12,147,663	24,740,948
Cumulative gap	4,439,200	4,439,200	2,302,026	6,875,271	9,019,661	12,593,285	24,740,948	
Cumulative GAP ratio	28.36%	28.36%	5.13%	15.23%	19.98%	27.63%	45.30%	45.30%

As at 1 January 2020:

	On demand and less than 1 day	Less than 7 days	Less than 30 days	Less than 90 days	Less than 180 days	Up to 1 year	Over 1 year	Total
Cash	62,532	-	-	-	-	-	-	62,532
Correspondent accounts and receivables with the CBR	8,456,053	-	-	-	-	-	-	8,456,053
Balances at Stock Exchange	6,459	-	-	-	-	-	-	6,459
Interbank loans	-	-	15,163,193	3,157,191	194,570	381,502	778,278	19,674,734
Loans	-	-	86,292	1,539,676	2,047,435	5,260,954	13,164,461	22,098,818
Securities	-	-	6,829,578	360	13,646	442,969	1,815,600	9,102,153
Accounts receivable	-	-	-	-	-	-	59,885	59,885
TOTAL ASSETS	8,525,044	-	22,079,063	4,697,227	2,255,651	6,085,425	15,818,224	59,460,634
Cumulative assets	8,525,044	8,525,044	30,604,107	35,301,334	37,556,985	43,642,410	59,460,634	
LORO accounts (<i>except for stable balances</i>)	2,724,858	-	-	-	-	-	-	2,724,858
Interbank loans	-	-	7,900,950	-	778,420	-	7,428,684	16,108,054
Current accounts (<i>except for stable balances</i>)	646,676	-	-	-	-	-	-	646,676
Deposits	270,105	-	11,228,828	3,863,891	20,288	377,538	-	15,760,650
Accounts payable	124,661	-	-	-	-	-	-	124,661
TOTAL liabilities	3,766,300	-	19,129,778	3,863,891	798,708	377,538	7,428,684	35,364,899
Cumulative liabilities	3,766,300	3,766,300	22,896,078	26,759,969	27,558,677	27,936,215	35,364,899	
Net gap	4,758,744	-	2,949,285	833,336	1,456,943	5,707,887	8,389,540	24,095,735
Cumulative gap	4,758,744	4,758,744	7,708,029	8,541,365	9,998,308	15,706,195	24,095,735	
Cumulative GAP ratio	126.35%	126.35%	33.67%	31.92%	36.28%	56.22%	68.13%	68.13%

Also the cumulative structure of the Bank's balance sheet by currency as at 1 January 2021 is characterised by a balance between foreign currency assets and foreign currency liabilities, with the maximum cumulative liquidity surplus observed in roubles.

In order to improve the quality of liquidity risk analysis and ensure the more reasonable planning of the Bank's activities, the Risk Management Department also calculates the stable balances on settlement accounts and LORO accounts and deducts them from the total amount of the on-demand liabilities.

As at 1 January 2021 the amount of stable balances on settlement accounts is 6.03 billion roubles, and on LORO accounts - 6.49 billion roubles.

The total gap between financial assets and financial liabilities in all currencies is 24.74 billion roubles. The maximum cumulative liquidity surplus is observed in roubles, which is formed mostly by the Bank's capital.

As at 1 January 2021

	Less than 1 day	Less than 7 days	Less than 30 days	Less than 90 days	Less than 180 days	Up to 1 year	Over 1 year
RUR (810)	(370,518)	(370,518)	816,822	4,626,098	5,249,607	7,015,952	15,002,251
USD (840)	1,901,215	1,901,215	3,141,889	3,300,479	4,504,902	5,854,531	3,068,562
EURO (978)	(215,474)	(215,474)	(4 729 443)	(4 350 326)	(4 080 604)	(3 346 297)	1,403,709
CNY (156)	2,949,233	2,949,233	2,898,013	3,126,776	3,173,511	2,896,853	5,259,565
HKD (344)	6,318	6,318	6,318	6,318	6,318	6,318	6,318
SGD (702)	542	542	542	542	542	542	542
TOTAL	4,271,315	4,271,315	2,134,140	6,709,886	8,854,275	12,427,899	24,740,946

As at 1 January 2020

	Less than 1 day	Less than 7 days	Less than 30 days	Less than 90 days	Less than 180 days	Up to 1 year	Over 1 year
RUR (810)	3,055,562	3,055,562	8,075,438	8,853,319	9,382,192	10,782,435	13,976,988
USD (840)	38,677	38,677	(1 154 184)	(1 095 534)	(658,530)	2,620,847	3,989,041
EURO (978)	(714,098)	(714,098)	(3 126 380)	(3 110 971)	(2 621 735)	(1 949 773)	1,877,021
CNY (156)	2,368,768	2,368,768	3,903,321	3,884,715	3,886,544	4,242,849	4,242,849
HKD (344)	9,340	9,340	9,340	9,340	9,340	9,340	9,340
SGD (702)	496	496	496	496	496	496	496
TOTAL	4,758,745	4,758,745	7,708,031	8,541,365	9,998,307	15,706,194	24,095,735

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets and financial liabilities or credit related commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

As at 1 January 2021, the calculation of contractual undiscounted cash flows (in thousand roubles) is as follows:

	On demand and less than 30 days	Less than 90 days	Less than 180 days	Less than 365 days	Over 365 days	TOTAL
LORO accounts	17,375,675	-	-	-	-	17,375,675
Interest payment on LORO accounts	2,453	-	-	-	-	2,453
Interbank loans	4,534,120	-	-	-	8,865,084	13,399,204
Interest payments on interbank financing	-	42,041	28,457	69,603	1,065,159	1,205,260
Current accounts	9,869,152	-	-	-	-	9,869,152
Deposits	24,730,238	222,168	-	443,489	165,385	25,561,280
Interest payments on deposits	61,575	1,510	-	8,345	28,159	99,589
Accounts payable	777,086	11,794	16,810	35,322	266,797	1,107,809
TOTAL LIABILITIES	57,350,299	277,513	45,267	556,759	10,390,584	68,620,422
Cumulative liabilities	57,350,299	57,627,812	57,673,079	58,229,838	68,620,422	

As at 1 January 2020:

	On demand and less than 30 days	Less than 90 days	Less than 180 days	Less than 365 days	Over 365 days	TOTAL
LORO accounts	8,004,160	-	-	-	-	8,004,160
Interest payment on LORO accounts	2,716	-	-	-	-	2,716
Interbank loans	7,900,950	-	778,420	-	7,428,684	16,108,054
Interest payments on interbank financing	18,724	-	14,226	-	68,371	101,321
Current accounts	6,763,158	-	-	-	-	6,763,158
Interest payment on current accounts	444	-	-	-	-	444
Deposits	11,498,933	3,863,891	20,288	377,538	-	15,760,650
Interest payments on deposits	19,650	4,113	88	288	-	24,139
Accounts payable	124,661	-	-	-	-	124,661
TOTAL LIABILITIES	34,333,396	3,868,004	813,022	377,826	7,497,055	46,889,303
Cumulative liabilities	34,333,396	38,201,400	39,014,422	39,392,248	46,889,303	

According to the results of the analysis, liquid assets and incoming interest payments are enough to cover the estimated cash outflow.

Three scenarios are taken into account when liquidity risk stress testing is performed:

1. scenario of crisis in the Bank: Due to large credit losses, rumours and (or) scandals, the Bank loses confidence of its contractors, whose money is the source of active operations funding; as a result, the Bank faces serious problem of financial insolvency. The following assumptions are made within the scenario:

- crisis in the Bank is characterised by sharp and severe shocks within a short period of time followed by long-term and significant outflow of funds;

- it is supposed that such loss of confidence on the part of counterparties would result in sharp and significant outflow of funds from the accounts of corporate, private and institutional customers of the Bank within a short period of time. Issue of the Bank's own securities (bonds and deposit certificates) and uncovered funding are possible but the cost of money raising will increase due to the growth of the Bank risk profile indices resulting in reduction of the general amount of funding;

2. scenario of total market crisis: intense and severe funding shortage observed in the market within a short period of time, preventing issue of new debt obligations and limiting access to uncovered interbank lending. Reduction of periods and volume of funding occurs due to closing first of long-term capital markets and then - short-term capital markets. The following assumptions are made within the scenario:

- liquidity crises occur as a result of a sudden shortage of funding sources, which results in increase of the cost of funding (i.e., the one influencing the income). Contractors are more sensitive to the bank's goodwill and rumours in financial market. The first stage of the liquidity crisis is characterised by growth of the cost of funding (because of spreads and more stringent requirements to security);

- on the second stage of the liquidity crisis, the sources of market funding start closing both for the individual banks and the entire banking system;

- on the third stage of the liquidity crisis, mass exodus of depositors takes place and a full-scale crisis affects the entire banking sector. Large corporate and retail customers (notwithstanding the existence of the deposit insurance system) start to withdraw deposits from the Bank.

3. combined scenario where the following assumptions are made:

- combined scenario is based on the assumption of significant slowdown of China's economy. Reduction in gross domestic product growth results in decrease of demand from export markets, thus, influencing inter alia the operations of trade financing and issue of the bank guarantees. Problems in real estate sector significantly influence the growth of distressed assets (increase of the number of NPLs) for the state-owned banks of China such as ICBC Group, which limits the ability of the Head Bank of ICBC Group to support subsidiary banks, including the Bank;

- as a result of such stress scenario the Bank considers a combination of liquidity risk of the entire market and liquidity risk inherent in the Bank, given a possible shrinking of the global economy (global financial crisis) in general or decline of China's economy, in particular (regional financial crisis);

- combination of scenarios is characterised by sharp and severe liquidity crisis in the Bank, alongside with the overall market crisis.

Results of a stress test on a semi-annual basis are communicated to the members of the Risk Committee of the Bank for the purposes of making management decisions on redistribution of assets/liabilities of the Bank and/or their reduction/increase (in particular, by the groups of the Bank's balance sheet), as well as to the Board of Directors. Also, on the basis of stress tests performed, the Bank may decide to implement a liquidity recovery plan in the case of emergency events.

According to the results of the 2020 stress test, the maximum aggregate liquidity deficit is observed under the Bank's crisis scenario (-2.09 billion roubles, outflow coverage of 90.58% on the "less than 7 days" range), the maximum aggregate liquidity reserve is observed under the combined scenario (+31.9 billion roubles, outflow coverage of 242.14% on the "less than 1 year" range).

A possible source to cover the liquidity gap is interbank loans, within credit lines opened on the Bank, the total amount of which significantly exceeds the calculated need in case of a stress scenario.

The Bank's Internal Audit Department carries out periodic audits of the state of control system and organisation of operations in a particular line of business of the Bank. Liquidity risk is monitored by the Bank on a regular basis. Information on the status of liquidity 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.

During the reporting period, the Bank did not make any changes in the methodology of the Bank's liquidity risk assessment and control.

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.

Procedures for the concentration risk management in the Bank include:

- identification, measurement of concentration risk in relation to significant risks;
- limiting the acceptable level of concentration for the Bank;
- procedures for determining the capital adequacy in terms of coverage of concentration risk, including procedures for the allocation of capital through a system of limits for the lines of business of the Bank and the types of significant risks;
- stress testing procedures to assess exposure of the Bank to concentration risk, and taking into account the results of stress testing in the evaluation of capital adequacy in terms of coverage of the concentration risk (defined in a separate internal document of the Bank);
- continuous monitoring of the concentration risk, informing the Board of Directors and the Risk Committee about the amount of the concentration risk accepted by the Bank, violations of established concentration limits, as well as the procedure for their elimination;
- establishing a concentration risk management system at the stage of negative trends emergence, as well as a quick and adequate response system aimed at preventing concentration risk indicators from achieving a level critically material for the Bank (risk minimisation).

To identify and measure the concentration risk, the Bank establishes a system of indicators that allow identifying concentration risk with respect to significant risks, some major counterparties (groups of related counterparties) of the Bank and persons (groups of persons) related to the Bank, economic sectors, geographic areas, etc. According to this system of indicators the Risk Management Department, at least once a year, prepares a proposal for establishment of signal levels and threshold values (limits), the violation of which is not allowed.

Among the concentration risk indicators established by the Bank, there is an indicator that is defined as the largest share of instruments with a credit risk of one type in the total scope of loans to customers. As of the reporting date, the value of this indicator was 38.4% (corporate loans – financing of current activities), which fully corresponds to the limit set for this indicator.

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

Policies and procedures of the Bank include specific principles aimed at supporting a diversified portfolio and managing the concentration risk. The Board of Directors of the Bank ICBC approved the Regulation “On the Procedure of Concentration Risk Management”, which controls the concentration risk, sets up a system of indicators to identify the concentration risk in respect of significant risks, major counterparties (groups of related counterparties) of the Bank and related (groups of persons) of the Bank, sectors of economy, geographical areas, etc.

During 2020 the Bank used the following methods to manage the risk of excessive business concentration:

- daily monitoring and control over transactions subject to compliance with the mandatory standards established by the Bank of Russia aimed at limiting the risk of excessive concentration (N6, N7, N25 and others);
- calculation of concentration coefficients in accordance with internal methodology;
- monitoring of macroeconomic indicators of the country’s economic development (including industry and regional indicators);
- analysis of the Bank’s assets and liabilities segmentation in accordance with the established segmentation criteria;
- analysis of diversification of the deposit portfolio, loan portfolio, interbank lending portfolios, including analysis of a degree of dependence of portfolios on key customer.

Operational risk

Operational risk is one of the most important risks associated with the Bank’s activities.

Operational risk is the risk of losses resulting from unreliable and deficient internal control procedures of the Bank, failure of information and other systems, or due to the impact of external events to the operations of the Bank.

The Bank’s operational risk management policy stipulates both prevention of known risks and identification of new operational risks arising in the course of the Bank’s operations, and also development of procedures for evaluating, identifying and preventing such risks.

The Bank manages operational risk in accordance with the CBR Instruction 3624-U and the Bank of Russia Letter No. 76-T dated 24 May 2005 ‘On the organisation of operational risk management at credit institutions’, to the extent not inconsistent with CBR instruction No. 3624-U, and recommendations of the Basel Committee for Banking Supervision.

The operational risk management system is based on the principle of distribution of powers and responsibilities among all levels of the Bank’s management.

On a monthly basis, the Risk Management Service prepares a report on operational risk containing information on the level of operational risk across the Bank’s business lines, risk mitigation measures, etc. and communicates it to the Risk Committee. This information is reported to the Board of Directors on a quarterly basis.

The Bank exercises control over operational risks using the system of registration of operational risks. Control of operational risks is implemented by building an optimal structure of the Bank’s business processes.

Process of operational risk management in the Bank consists of a few stages: identification of operational risk, assessment of operational risk, monitoring of operational risk, control and/or minimisation of operational risk

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 of operational risks, which covers the occurred facts of operational risk in the Bank’s external environment.

Operational risk identification involves analysis of all operating conditions of the Bank for availability or possibility of emergence of operational risk factors, which is conducted at several levels:

- analysis of changes in the area of finance in general (e.g. introduction of new technologies or financial innovations) which may have impact on performance of the Bank;
- analysis of exposure to operational risk of individual line of business of the Bank, taking into account its priorities (preparation of a risk profile);
- analysis of changes (increase or decrease) in the number and amounts of cash payments made by the Bank based on the rulings (orders) of law courts, resolutions of the bodies competent under the law of the Russian Federation, as well as ratio of the number and amounts of legal actions under which payments were made by the Bank and to the Bank;
- analysis of the cases of application of retaliation measures to the Bank on the part of the supervisory and regulatory bodies, dynamics in application of such measures;
- analysis of internal procedures, including the reporting and information-sharing system.

At the stage of operational risk identification, the Bank shall pay particular attention to overlapping of powers and responsibilities of the Bank's business units and employees.

To assess operational risk the Bank also uses a basic method of operational risk calculation recommended by the Bank of Russia

Assessment of operational risk implies calculation of the amount of impairment if operational risk is materialised.

Monitoring of operational risks allows creating a database of events (circumstances) that entailed:

- direct losses or increase in cost;
 - damage to goodwill;
 - loss of control over the activity;
 - subsequent analysis of each case of occurrence of events (circumstances) with identification of its nature and description of causes that has resulted in a particular situation and occurrence of operational risk.
- Operating losses database is being formed and maintained by the Risk Management Department.

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 optimizing information flows and internal document flow technology are carried out.

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

Operational risk is measured in accordance with the requirements of the Bank of Russia Regulation dated 3 September 2018 No. 652-P 'On the procedure for operational risk calculation'.

The Bank discloses information on operational risk in a separate document "Information on Risk Accepted, Procedures of Their Assessment, Management of the Risks and Capital of the Bank" placed on the Bank's website

9. Information on capital management

Capital management in the Bank has the following objectives: compliance with capital requirements established by the Bank of Russia and internal documents of the Bank, ensuring the Bank's ability to operate as a going concern, as well as maximising profits through optimisation of a debt-equity ratio.

Policy and principles of equity management in the Bank comprise a set of actions aimed at:

- achieving a balance between riskiness and profitability of operations, which is regulated by selecting the most profitable placement of the Bank's own funds subject to the strict compliance with all mandatory and internal regulations;
- alignment of the Bank's development strategy with scope of the Bank's operations;
- limiting the volume of banking operations and the risks assumed by the amount of the regulatory and the available capital.

Capital management of the Bank is based on a comparison of the Bank's risks and the scale of its operations (taking into account its development in accordance with the strategy approved by the Board of Directors) to the current level of capital adequacy. In order to maintain the required level of capital adequacy in the course of business expansion, the Bank may place an issue to the shareholder to increase the authorised capital and/or to attract a subordinated loan.

The Bank considers the internal capital adequacy assessment procedures an integral part of the internal management system and the rationale for decision-making and takes into account ICAAP results when making strategic decisions, with the view of budgeting and allocating available capital, issuance of loans and other activities.

Capital management procedures are developed and monitored by the Risk Management Department. The Board of Directors, the President and the Management Board on their part monitor the capital adequacy of the Bank, efficiency of the applied risk and capital management procedures, compliance of these procedures with the approved development strategy, nature and scope of the operations, and level and combination of the risks accepted by the Bank on an ongoing basis.

The Bank has determined that the indicator of efficiency of the internal procedures of capital adequacy assessment is sustainable growth in the value of equity capital, subject to meeting requirements for its sufficiency and distribution by types of risk. In the process of capital management the Bank strives to comply with the approved development strategy, current statutory provisions, takes into account the fact that the volume of operations is limited by the equity size, and considers dynamism of the capital volume and structure in accordance with changes in external and internal environment factors.

The Bank calculates the capital adequacy indicators and ratio in accordance with the Bank of Russia Regulation No. 646-P dated 4 July 2018 “On Methods to Determine Equity (Capital) of Credit Institutions (Basel III)” and Bank of Russia Ordinance No. 199-I dated 29 November 2019 “On mandatory ratios and surcharges to capital adequacy ratios for banks with a universal licence” on a daily basis. The Bank has also developed a methodology for internal capital adequacy assessment, within which the available capital, economic capital and the value of the internal capital adequacy ratio are calculated at a given frequency.

To determine the minimum level of capital required to cover risks, the Board of Directors of the Bank has established internal capital adequacy ratios, which determine the minimum ratio of various types of available regulatory capital to risk-weighted assets of the Bank. To conduct more conservative and risk adjusted policy, the Board of Directors, as part of the risk appetite system, has established the threshold limit of internal norm N1.0 of 12% and the “signal” level of 14%. The Board of Directors has set the threshold limit of 8% and “signal” level of 9% for internal ratio N1.1; the threshold limit of 8% and “signal” level of 9% for internal ratio N1.2; and the threshold limit of 4,5% and “signal” level of 4,8% for internal norm N1.4. Throughout 2020, the Bank’s was in compliance with internal capital adequacy ratios.

The current planning of the Bank’s operations is carried out taking into account the risk-weighted assessment of their impact on the amount of capital, and, if necessary, the operations are restructured in order to bring them to the required level.

The Bank monitors the regulatory requirements applicable to credit institutions, in terms of calculation of the capital amount and adequacy on an ongoing basis. The Bank maintains capital adequacy at a level that is consistent with the nature and scope of the Bank’s operations.

As at 1 January 2021 and 1 January 2020 the amounts of the Bank mandatory ratios were within the limits set by the Bank of Russia.

The Management Board of the Bank has approved the Internal Capital Adequacy Assessment Process (ICAAP), that is the procedures for assessing by the Bank of adequacy of the capital available, i.e. the capital to cover the accepted and potential risks, and also include capital planning procedures on the basis of the established development strategy, business growth targets and the results of a comprehensive evaluation of the current risks, stress testing resistance to internal and external risk factors. ICAAP has been designed to connect risk management and capital management so that the capital covers all significant risks of the Bank. Risk assessment procedures shall give the whole picture for risk management, executives, Board of Directors, Shareholder and external users. At the same time, the indicator of the effectiveness of the ICAAP policy is ensuring the availability of the capital necessary to cover the risks accepted by the Bank in accordance with the risk appetite indicators, maintenance of significant risks at the level not threatening the Bank’s operations. In the process of capital management the Bank strives to comply with the approved development strategy, current statutory provisions, takes into account the fact that the volume of operations is limited by the equity size, and considers dynamism of the capital volume and structure in accordance with changes in external and internal environment factors.

There were no changes in the capital management policy during 2020.

Information on the terms, conditions and main characteristics of the credit institution's capital instruments

Primary Capital Instruments

Share capital

The authorised, issued and fully paid-up share capital includes the following components:

	As at 1 January 2021, RUB'000		As at 1 January 2020, RUB'000	
	Number of shares	Nominal value	Number of shares	Nominal value
Ordinary shares	432,380	10,809,500	432,380	10,809,500
Share capital	432,380	10,809,500	432,380	10,809,500

The Bank's share capital is fully owned by Industrial and Commercial Bank of China Limited JSC.

Share premium

The Bank has no share premium.

Reserve fund

In accordance with the Federal Law No. 208-FZ "On Joint Stock Companies" and the Articles, the Bank establishes a contingency fund to cover possible damages and losses from its operations at the expense of annual contributions from net profit.

The size of the contingency fund shall be 10% of the registered authorised capital of the Bank.

Annual contributions to the contingency fund until it reaches the minimum size established by the Articles of Association of the Bank is 5% of net profit.

The reserve fund is as follows:

	As at 1 January 2021, RUB'000	As at 1 January 2020, RUB'000
Reserve fund	329,895	267,961

Supplementary capital Instruments

Subordinated loans

As at 1 January 2021 the Bank has 2 subordinated loans for a total of 8,865,084 thousand roubles due on 30 October 2023 and 25 February 2033. Additional information on subordinated loans is disclosed in Note 4.6

The total amount of subordinated loans included in additional capital as at 1 January 2021 subject to depreciation is 7,387,570 thousand roubles.

The table below shows the regulatory capital based on the Bank's reports prepared in accordance with the requirements of the Russian laws.

Data for the reporting period are calculated in accordance with the procedure of preparation of reporting in accordance with the form 0409123 "Calculation of Equity (Capital) (Basel III)":

	As at 1 January 2021, RUB'000	As at 1 January 2020, RUB'000
Core capital	11,294,637	11,458,235
Supplementary capital	8,388,488	7,818,875
Regulatory capital	19,683,125	19,277,110

Capital adequacy ratios in accordance with the requirements of the Regulation of the Bank of Russia No. 646-P dated 4 July 2018 “On Methods to Determine Equity (Capital) of Credit Institutions (Basel III)” are as follows:

Mandatory ratios	Acceptable level	Acceptable level including buffers (As at 01.01.2021)	Calculated amount (As at 01.01.2021), %	Acceptable level including buffers (As at 01.01.2020)	Calculated amount (As at 01.01.2020), %
Core capital adequacy ratio (N1.1)	Min 4.5%	Min 7.00 %	19.8	Min 6.75 %	22.5
Primary capital adequacy ratio (N1.2)	Min 6%	Min 8.50 %	19.8	Min 8.25 %	22.5
Equity (capital) adequacy ratio (N1.0)	Min 8%	Min 11.00 %	34.5	Min 10.25 %	37.9

As at 1 January 2021 and 1 January 2020 the Bank was in compliance with minimum allowable value of capital adequacy ratio.

10. Information on the Bank’s 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 three categories of related parties:

1. Companies that are members of the ICBC financial group;
2. Key management personnel of the Bank;
3. 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 (“Other Organisations”).

In the normal course of business, the Bank conducts transactions with its principal shareholder - the Parent Bank ICBC Ltd., its branches, subsidiaries, as well as operations with key management personnel. These operations include settlements, lending, attracting interbank loans, deposits, issuance of guarantees, trade finance and foreign exchange transactions.

The Bank’s transactions with related parties are carried out on the same terms as with companies that are not related.

Below are the details of transactions with related parties of the categories 1 and 2 as at 1 January 2021 and 1 January 2020:

ICBC Group (including key management personnel of the Bank)	At 1 January 2021 RUB’000		At 1 January 2020 RUB’000	
	ICBC Group	Key management personnel of the Bank	ICBC Group	Key management personnel of the Bank
ASSET				
Amounts due from credit institutions	13,571,765	-	2,331,191	-
<i>Including the Parent Bank</i>	2,355,595	-	2,290,348	-
Other assets	979	-	817	-
Total assets	13,572,744	-	2,332,008	-

ICBC Group (including key management personnel of the Bank)	At 1 January 2021 RUB'000		At 1 January 2020 RUB'000	
	ICBC Group	Key management personnel of the Bank	ICBC Group	Key management personnel of the Bank
LIABILITY				
Amounts due to credit institutions measured at amortised cost	17,735,705	-	9,538,148	-
<i>Including the Parent Bank</i>	<i>13,178,131</i>	-	<i>8,743,624</i>	-
<i>Including subordinated loans from the Parent Bank</i>	<i>8,904,058</i>	-	<i>7,497,056</i>	-
Other liabilities	30,534	16,969	30,282	15,170
Total liabilities	17,766,239	16,969	9,568,430	15,170
OFF-BALANCE SHEET CLAIMS AND LIABILITIES				
Guarantees received	1,408,781	-	988,214	-
Guarantees issued	1,408,781	-	988,214	-

The table below shows the income and expenses on related party transactions, except for the remuneration of key management personnel, which is presented in a separate table below:

ICBC Group (including key management personnel of the Bank)	For 2020 RUB'000		For 2019 RUB'000	
	ICBC Group	Key management personnel of the Bank	ICBC Group	Key management personnel of the Bank
Interest income	76,760	-	60,812	-
<i>including Parent Bank</i>	<i>58,805</i>	-	<i>46,492</i>	-
Interest expense	(264,719)	-	(449,312)	(36)
<i>including Parent Bank</i>	<i>(217,052)</i>	-	<i>(334,668)</i>	-
Net interest income (expense)	(187,959)	-	(388,500)	(36)
Net foreign exchange gain (loss)	(2,510,204)	20	1,544,159	263
<i>including Parent Bank</i>	<i>(689,836)</i>	-	<i>621,220</i>	-
Fee and commission income	12,370	-	14,091	-
<i>including Parent Bank</i>	<i>1,515</i>	-	<i>9,619</i>	-
Fee and commission expense	(1,963)	-	(2,435)	-
<i>including Parent Bank</i>	<i>(282)</i>	-	<i>(3)</i>	-
Change in allowance for impairment and allowance for ECL	(85)	-	(20)	-
<i>including Parent Bank</i>	<i>1</i>	-	<i>(20)</i>	-
Net income (expense) from transactions with related parties	(2,687,841)	20	1,167,295	227

Key management personnel

The list of key management personnel of the Bank as at 1 January 2021 changed and included 5 persons:

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

The structure of remuneration of key management personnel included in the Operating Expenses item is given in the table below:

	for the year 2020		for the year 2019	
	Total accrued expenses, RUB'000	Share, %	Total accrued expenses, RUB'000	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%
<i>including payroll related taxes and deductions</i>	<i>11,562</i>		<i>11,273</i>	
TOTAL	94,162	100%	93,955	100%

Composition of payments: short-term remuneration – wages, annual paid leave, bonuses, other payments provided for in employment agreements. No pension or other post-employment benefits, seniority bonuses, permanent disability or other long-term employee benefits were paid.

Information on transactions with related parties of category 3 as at 1 January 2021 and 1 January 2020 is provided in the table below:

Other companies	<i>As at 1 January 2021</i> <i>RUB'000</i>	<i>As at 1 January 2020</i> <i>RUB'000</i>
ASSET		
Amounts due from credit institutions	25	2,464
Net loan receivables measured at amortised cost	16,433	10,776
Net investments in securities and other financial assets at amortised cost (other than loan receivables)	2,291,994	444,664
Fixed assets	40,465	-
Other assets	365	3,818
Total assets	2,349,282	461,722
LIABILITY		
Amounts due to credit institutions measured at amortised cost	1,494,922	2,876,300
Amounts due to customers other than credit institutions at amortised cost	26,574,451	9,611,917
Other liabilities	31,708	1,888
Total liabilities	28,101,081	12,490,105
OFF-BALANCE SHEET CLAIMS AND LIABILITIES		
Guarantees received	3,550,548	3,640,797
Guarantees issued	3,261,371	3,640,797

The table below shows the income and expenses on transactions with related parties of category 3:

OTHER	For 2020 RUB'000	For 2019 RUB'000
Interest income	44,047	37,022
Interest expense	(394,242)	(363,794)
Net interest income (expense)	(350,195)	(326,772)
Net foreign exchange gain (loss)	28,120	52,353
Fee and commission income	96,079	87,129
Fee and commission expense	(842)	(48)
Operating income	4,644	315
Operating expense	(13,275)	(8,208)
Movement in allowance for impairment and allowance for ECL	470	(122)
Net income (expense) on related party transactions	(234,999)	(195,353)

11. Other information to be disclosed

In 2020 the Bank had no obligations on long-term employee remuneration:

- on post-employment payment schemes limited by fixed payments;
- on post-employment payment schemes not limited by fixed payments;
- on joint schemes of several employers.

The Bank has no payments based on equity instruments and there were no business combinations during the reporting period.

President

Li Wencong

Chief Accountant

N.V. Kuzmina



20.04.2021