ICBC (London) plc

Report and Financial Statements

31 December 2019

Company Registration No : 4552753

Contents

Chairman's Statement

The Bank had a stable year despite the high-levels of macro-economic uncertainty that dominated most of 2019. Profit was in line with targets, although lower than in 2018 as the level of interest earning assets reduced in accordance with the strategy set out in the 2018 report. We expect this trend to continue as we reduce the loan asset book further, with new assets primarily being written through the ICBC London Branch.

Capital levels remain exceptionally high, with a Capital Adequacy Ratio of just under 40% even after the repayment of the $100m subordinated debt to our Parent Company in the first quarter of the year. This repayment has not only helped in improving capital efficiency, but also resulted in an increased Net Interest Margin for the Bank when compared to the previous 12 months.

Although there has been some de-escalation in the US/China trade war and more stability in the UK political process following the December 2019 General Election, new macro-economic challenges continue to arise. At the time of writing this report great uncertainty remains about the longevity and severity of the Covid-19 coronavirus outbreak and the impact it may have on the Bank itself but also more broadly on the global economy in the medium term. Whilst the Bank cannot mitigate the inherent risk associated with the pandemic, it has taken a number of actions to reduce the potential impact on the Bank's operational resilience, capital and liquidity position during this time. These include, amongst others, interim limitations on the duration of money market lending, restrictions on certain new business classes to manage liquidity outflows and the implementing mass scale working from home to ensure the safety of our staff and operational continuity. More information on the Bank's ability to weather the pandemic from a capital and liquidity perspective is provided in the Strategic Report.

Even if there is a marked deterioration in the UK economy, which could impact the performance of the Bank this year, the Bank will still be in a strong position from the point of view of capital adequacy and liquidity. The Bank starts the year with no non-performing loans on its book and the asset portfolio is performing well and continues to be of a high quality.

In February 2020, our Board Chairman, Dr Hao Hu, resigned from the Board as he has decided to take up a new opportunity outside of the ICBC Group. We would like to extend our thanks and gratitude to Dr Hu for his leadership over the past years and wish him all the best in his new role. Dr Hu's replacement will be announced in the next few months.

The Company Secretary and Non-Executive Board Director, John Kerr, retired from the Bank in December 2019. John had been with the Bank since 2003 serving in various capacities and joined the Board in 2014. We would like to thank John for his immense contributions to the Bank and wish him all the best for the future.

The Bank's CFO, Graeme Tosen, has joined the Board as an Executive Director in February 2020 and we would like to extend our welcome to him.

Finally, I would also like to thank Mr Han for managing the Bank in a very positive manner during these challenging times and to thank my fellow directors for the support and guidance they have provided during the year.

Alan Gemes

Acting Chairman

Strategic Report

Introduction

At the end of last year the Bank explained that it was revising its stable growth strategy that had been in place for the last few years towards one where asset growth was no longer a strategic aim. More detail behind this change was set out in the Strategic Report that was published with the 2018 Annual Accounts. One of the main drivers was that the Bank wanted to focus on larger ticket, relationship based lending and the capital and liquidity constraints inherent in a Subsidiary bank make it a less effective vehicle to achieve this when compared to a Branch.

It is important for the Bank to highlight that the no-growth strategy is by no means an indicator of ICBC's commitment to the UK and EMEA markets. We are fully committed to these markets and have seen healthy growth in the combined assets of the Bank and the London Branch, which stood at just over $19bn at the end of 2019. It is our intention to continue growing the Balance Sheet of the London Branch in the coming year and in years to come. The role that the Bank will play in the future plans of ICBC in the UK is set out in more detail later in this report.

There has been a significant rise in global uncertainty due to the Covid-19 pandemic and this continues without any clear indications of the eventual severity or duration of the resulting economic disruption. The Bank acknowledges that any economic forecasts or predictions are subject to significant uncertainty because of this. In light of this the Bank has taken a number of actions to ensure that the Bank remains liquid and well capitalised even if the current disruption continues for a prolonged period. More details on the Bank's assessment of its liquidity, capital and profitability given the pandemic is provided later in this report.

Apart from the current Covid-19 crisis, there has been a significant reduction in uncertainty following the results of the 2019 General Election and the passing of the European Union (Withdrawal Agreement) Bill through both houses of Parliament. Many questions remain over the future relationship between the UK and the European Union, but we do think that the debate moving on from the central question around whether the UK would or would not leave the EU does provide more certainty than at the same time last year. There are also positive signs that the trade tensions between China and the US are easing and we expect that this will continue into 2020, although possibly at a slower pace than initially anticipated given the shift in focus of both governments to handling the Covid-19 situation. The Bank continues to closely monitor national and international political developments to assess and mitigate the risks arising from these, including the heightened tension in the Middle East (especially Iran) and the upcoming presidential election in the US.

In the rest of this report we will set out the highlights of our performance against the objectives we set at the start of the year and explain the strategies we will employ in the coming financial year.

Achieving our objectives in a challenging macro-economic environment

As stated, although the Bank is of the view that there have been a number of positive signals, 2020 will remain challenging from a macro-economic perspective. Similar to other financial institutions, the Bank is exposed to the indirect consequences of the current uncertainties, but as in previous years we do not think that most of these will have an individual direct impact on the performance of the Bank. We do however accept that a very prolonged economic downturn due to Covid-19 may have a temporary negative impact on our profitability should levels of non-performing loans increase. The indirect impact of macro-economic and political uncertainty includes, amongst others, increased currency volatility, possible tightening of liquidity, more expensive funding, lower levels of GDP growth and a general decline in foreign investment.

During the year the Bank has built up additional liquidity buffers around key Brexit decision dates, especially in circumstances where chances of a "no-deal" exit from the EU was possible. We have relaxed these additional buffers given recent political events but continue to have very high levels of liquidity and will monitor the progress of the negotiations between the UK and the EU on the future relationship and proactively take risk mitigation steps when appropriate. The UK was expected to show slow GDP growth at around 1% with inflation expected to remain just below the 2% target level (on the back of possible monetary intervention). If the Covid-19 situation is prolonged, we expect the growth rate to below this number. Investment will continue to be held back until the future trade relationship becomes more certain. This outlook may improve if a deal is concluded that ensures very close trade arrangements and high levels of access for financial services.

We expected China's growth rate to decline over the next two years to around 5.5% prior to the Covid-19 situation emerging, but this may be lower although the impact of the downturn is not yet clear. The slowdown in infrastructure investment is no longer evident as large government sponsored projects supported industry and will continue to do so in the coming year. Monetary conditions are easing again after an initial tightening on the back of restrictions on shadow banking. We expect that fiscal policy will continue to support consumption and see little evidence of a decline in consumption that may have been expected following significant price increases. As mentioned earlier in this report there has been material progress made in the easing of the trade war between the US and China when compared to a year ago and we expect this easing to continue in 2020. The Bank is of the view that the outlook for the Chinese economy remains stable in the longer term and we are well positioned to take advantage of local and regional investment and trade finance opportunities where they arise, leveraging our close relationship with our Parent Bank, the ICBC London Branch and other ICBC subsidiaries globally.

Financial performance, objectives and strategy

As mentioned above, following a strategic review the Management of the Bank has decided to move away from the previous strategy of increasing the Bank's balance sheet size. As stated in last year's report, as ICBC's operations in the UK and abroad continue to expand the target customer base mostly consists of large national and multi-national enterprises. The demand from these entities is generally for larger borrowing facilities which, due to capital and large exposure constraints, can only be accommodated in the Branch which has access to the very significant capital base of the Parent Bank. The Senior Management is currently considering whether a dual licence (both Subsidiary and Branch) structure remains the most effective way of expanding our business in the UK. Whilst this assessment is ongoing the Bank will focus on replacing maturing loan assets with listed corporate bonds. This provides the opportunity to continue to make use of the available capital in the Bank whilst providing enhanced flexibility to move assets into the Branch at a future date should we decide to do so. Any changes to the UK operational structure will only be made after thorough consultation with the UK regulators, the Shareholder and our clients and may take a considerable time to implement in full. Even if we do conclude that the current dual licencing structure remains the most efficient way to achieve our long term strategic objectives, the Bank has no plans to increase its capital base. As part of a broader exercise to make more effective use of the existing capital the Bank repaid its subordinated debt in the first quarter of 2019. This resulted in reduced interest expense whilst still retaining a very strong capital adequacy ratio. Even though the decision has been taken not to increase the balance sheet size at this stage, the Bank remains the primary vehicle for ICBC's decision making and corporate governance framework setting in the UK. The Bank also provides the operational infrastructure for ICBC in the UK (both the London Branch and ICBC (London) plc), including acting as the employer or record for all permanent UK based staff, owner and provider of all material tangible assets (including the UK premises) and counterparty to operational agreements with most third-party suppliers.

In line with the strategy set out above, total assets decreased by 5.08% during 2019 to $2.25bn. Almost all of the decrease was attributable to assets maturing in line with their contractual terms without being replaced or alternatively the refinancing being done from the London Branch.

The Bank's assets portfolio and funding sources remain well diversified and backed by a very strong capital and liquidity position. We continued to strengthen our capabilities, with increases in head count throughout the front, middle and back office functions.

Specific changes to prior year

There were no major changes to regulations or accounting standards that impacted the Bank. As a UK GAAP reporter the changes in Lease Accounting (IFRS 16) that were made under International Financial Reporting Standards do not apply to the Bank. However, even if the Bank applied the new IFRS 16 approach the impact would have been minimal given that the Bank's operating leases are limited to relatively minor items like printers and catering equipment.

Key performance summary

The Bank employs several key financial performance indicators to assess financial performance and consider these together in order to obtain a holistic view of our performance. We use these indicators not only to assist in providing useful financial insight, but also in telling a wider story on how the Bank is managed and the risks and challenges it faces. Amongst the most important indicators are Return on Equity (RoE), Return on Assets (RoA), the Net Interest Margin (NIM), Non-performing loans to Assets (NPA) and our Cost to Income ratio (CTI).

Strategic Report

Total assets decreased by 5.08% compared to 2018 as a result of the Bank's strategies outlined in the financial performance, objectives and strategy section above.

Net interest income and profit after tax decreased by 11.64% to $26.02 million and 25.17% to $18.98 million respectively compared to 2018 mainly due to a decrease in interest earning assets.

Return on Equity (ROE) - This ratio is calculated by dividing our net profit after tax by total average shareholder funds. The Bank uses this as an indication of how efficiently we use these funds. For 2019 this ratio decreased to 4.38% (2018: 6.18%).

The Return on Assets (RoA) provides the Bank with a measure of the ability to generate income from our assets. It is calculated by dividing profit after tax by total average assets. The RoA for 2019 also decreased to 0.94% compared to 1.06% in the previous year.

Net Interest Margin (NIM) shows the difference between the interest income generated by the Bank and the amount of interest paid out to our lenders, relative to the amount of our average interest-earning assets. NIM was up from 1.22% in 2018 to 1.31% this year.

The Bank wrote off $5 million gross non-performing assets (NPA) during the year and there was no NPA at the end of this year.

The Cost to Income ratio (CTI) provides a measurement of the cost of running the Bank in relation to our operating income and is an important indicator of the productivity of the Bank. This ratio is calculated expressing the Bank's operating cost as a percentage of its operating income and was 28.72% in 2019 (2018: 26.49%).

Principal risks and our approach to risk management

The Bank is exposed to a number of different risks, either directly attributable to the business we undertake or due to general market-wide industry factors and macro economic conditions. The Board oversees, reviews and approves a clearly defined risk appetite in order to ensure that the Bank takes on levels and types of risk within its risk capacity and commensurate to that required to support our business strategy. Whilst we cannot completely eliminate all risk, any risks beyond those deemed acceptable within our risk appetite are actively mitigated where possible through a number of risk management techniques and actions. These are defined, monitored and reviewed in accordance with our Enterprise Wide Risk Management Framework and managed through well established "three lines of defence" and "four eyes" models.

Every person at the Bank has a responsibility for risk management. At a departmental level policy and procedure manuals are written in accordance with the Bank's approach to the management of our principal risks. Employees are required to operate within the guidelines set out in Bank-wide policies and their own departmental procedures. Effective risk management forms an important part of our annual performance assessment for all bank employees.

The Risk and ALM, Credit Risk, and Compliance and Legal departments periodically carry out reviews to assess the compliance with and effectiveness of risk mitigation, while the Internal Audit department, as the third line of defence, undertakes independent, risk-based reviews of the risks in the various business areas and the related controls in place to mitigate them. The scope of Internal Audit work is agreed by the Audit Committee, which also oversees the results of the reviews undertaken. The Head of the Internal Audit department reports to the Chairman of the Audit Committee. From a Senior Management perspective, risk is further managed through the Executive Committee, the Asset and Liability Committee, the Financial Crime Risk Committee and the Credit Committee. During the year the Bank established an IT Steering Committee to oversee and monitor technology and data risk, including cyber risk management, and a Finance Committee to review and approve the operating expense budget for the Bank and monitor material expenses incurred throughout the year.

In addition to the Audit Committee mentioned above, two other sub-committees of the Board, the Risk Committee and the Governance and Compliance committee, monitored and reviewed the management of risk and reports their findings back to the Board. From 2020 onwards, these two committees will be merged into a single body with the same responsibilities and oversight, chaired by one of our independent non-executive directors.

The Bank categorises its principal risks into a number of different risk types, which include credit risk, liquidity and funding risk, market risk, operational risk, conduct risk, regulatory risk and geopolitical risk.

In particular, the risks faced by ICBC (London) plc include the following:

Strategic Report

• Credit risk arises from exposures to a range of counterparties, industries and countries. These are managed through a number of different concentration and credit limits, strict lending criteria, pre-approval by the Credit Committee and the CEO and ongoing asset quality monitoring by the Credit Risk department to ensure that our existing governance and risk controls are effective, asset quality is satisfactory and capital adequacy is sufficient to absorb potential credit losses. During the year the Bank focussed on embedding the Credit Re-engineering Project which was completed at the end of 2018 with the aim of better aligning the first and second lines of defence for credit risk management.

There is concentration risk across several dimensions including the Chinese and UK economies – reflecting the Bank's business mandate – and sector concentration in banks and non-bank financial institutions (48.1% of total credit exposures), a large component being exposures to investment grade financial institutions. Other than Financial Institutions, the Bank's largest sector exposure is to Commercial Real Estate which accounted for 15% of all exposures, most of which is secured. Credit risk indicators are well within internal risk appetite. A $5m non-performing loan has been written-off in 2019. There were no additional non-performing loans.

• Liquidity and funding risk remains a key focus of the Bank. We have a very limited retail deposit base compared to our local competitors. However, the Bank's funding sources are well diversified and we have established long-term funding measures and can collaborate with ICBC London Branch to strengthen our funding capacity. Appropriate risk measurement, monitoring and reporting systems and internal limits are in place, liquidity stress testing is undertaken against a range of scenarios, and we have a well-developed Recovery Plan including liquidity contingency arrangements. At the end of the year the Bank had a Liquidity Coverage Ratio (LCR) of 255%, which is significantly above the minimum regulatory requirement. This is a slight increase from the 250% at the end of 2018. The economic disruption due to Covid-19 might have an impact on the liquidity position of the Bank, but it is our expectation that the Bank will continue to have a strong liquidity position throughout. More detail on this is provided later in the report.

• Market risk includes interest rate risk in the banking book (IRRBB), foreign exchange rate risk, and position risk. The Bank has strict limits in place for foreign exchange risk exposure and interest rate risk in the banking book, which mainly arises due to duration/re-pricing mismatches between assets and liabilities, as well as off-balance sheet items. Where appropriate, hedging contracts are taken out to ensure these risks are managed within our risk appetite. The Bank continues to carefully consider the risk-adjusted return on assets, while managing our generally low market risk profile (interest rate and FX risk).

• Operational risk losses within the Bank are very low (2019: $5,959; 2018: $5,294) and well within the internal risk appetite. During the year the Bank made good progress in encouraging active and early disclosure of all risk incidents, regardless of whether actual financial loss was involved, as well as developing the framework to escalate potential operational risk issues. Whilst we assess the risk arising from the internal environment to be stable year-on-year, the risk from external factors remains on an increasing trend. However, there is a strong governance and risk control framework in place and the overall residual risk profile is low. The Bank has also improved the way in which legal risk is managed through the establishment, in 2018, of our Legal Panel. Due to the government restrictions to manage the Covid-19 outbreak in the UK, the Bank implemented its Business Continuity Plan to ensure operational resilience throughout the period. More detail on this is provided later in this report.

• Regulatory risk, the risk of changes in regulations that might affect the business, the industry or the markets the Bank operates in, is increasing because of the growing complexity in the regulatory environment in the UK, EU and China. The Bank's Compliance and Legal department effectively manages regulatory change projects as well as business-as-usual reviews, and acts as the second line of defence in the management of financial crime risk, including anti-money laundering, anti-bribery and corruption, anti-fraud and sanctions monitoring, as well as cyber risk, data governance risk and conduct risk.

• The geopolitical risk that the Bank is exposed to has been highlighted already in this report. The current tensions in the Middle East, especially in relation to Iran, the US presidential elections and the future trade relationship between the UK and the EU are just some of these challenges and uncertainties. The Bank continues to monitor both domestic and international risks and their possible impact on our strategy and business plans. Geopolitical risk can have an impact on a variety of financial and non-financial factors and therefore the Bank's geographical limits, interest rate risk limits and foreign currency limits all play a part in mitigating this risk. The Bank also has in place a Business Continuity Plan and other measures to safeguard our staff, customers and business and maintain operational resilience.

- Cyber risk and data security – whether from disabling cyber-attacks or more mundane causes of human error or failure of aging hardware – are considered one of the top threats across financial services entities.

The Bank defines cyber risk as the risk of financial loss, disruption or damage to the reputation of the Bank (and the Parent Bank) from failure of its information technology systems. Cyber risk threatens not only the technology supporting its daily operations but also its business and ability to comply with regulatory requirements. The Bank categorises cyber risk into two main parts:

(i) External risks: concerns external threats to the Bank's IT infrastructure that may take the form of Malware, malvertising, phishing, Distributed Denial of Service attacks and Ransomware.

(ii) Internal risks: relates to conduct of employees and any potential data leaks that may occur.

In response to the ongoing increase in cyber risk attacks, the Bank has developed a Roadmap (approved by Executive Committee) to reduce any exposure to cyber risk and has in place a cyber resilience strategy, policies, standards and control framework.

As for other risks, the Bank adopts a three-lines of defence model for managing cyber risk.

The First Line of Defence (1LoD) lies with IT and also Head Office Overseas IT Department. IT has overall responsibility for IT security, electronic archiving and the maintenance of all data and systems across the Bank.

The Second Line of Defence (2LoD) currently sits with the Compliance and Legal Department who has the responsibility of monitoring the 1LoD and reporting on it to Senior Management and the Risk Committee.

The Third Line of Defence (3LoD) role is fulfilled by the Internal Audit Department who report independently to the Audit Committee.

Cyber risk activity is also incorporated into the Bank's Enterprise-Wide Risk Report.

Further information on these risks is included in Notes 29-33 and 35 to the financial statements.

Covid-19 coronavirus

The Bank has been closely monitoring the developments around the spread and impact of the Covid-19 virus. In the short term the Bank has taken a number of actions to ensure operational resilience with the safety of our staff being our number one priority. These include travel restrictions, self-isolation for a number of staff members, the provision of hand sanitisers, safe disposal bins, regular bank-wide communications and the provision of protective gear for customer facing staff amongst others. The Bank has also put an emergency business continuity plan in place that specifically deals with the possible impact of an evacuation of our premises or a city-wide shut down of public transport services. Given the significant impact of the Government's lockdown in March 2020 (and ongoing), the Bank has requested most of its staff to work remotely from home. Between 80% and 90% of all Bank employees are currently working from home, with full access to the Bank's key systems and full IT support. The Bank is able to employ this working model for an indefinite period without compromising operational activities and all key functions continue to operate without disruption. As at the date of this report we have not experienced any operational losses or incidents based on the remote working solution the Bank has in place.

In the medium and longer term the performance of the Bank may be impacted, depending on the severity and length of the outbreak and the resulting impact on the operations of our corporate and institutional client base. This is an area of significant uncertainty at the moment and so heightened monitoring on specific customer names has been put in place, as well as ensuring that we have above average liquidity resources in place should there be a significant market disruption.

In March 2020 the Bank did a full review of its credit portfolio on an individual counterparty basis with the aim to identify those counterparties that may be the most vulnerable to the adverse consequences of a prolonged economic downturn. Although the risk remains that non-performing loans may increase during this time, the Bank is satisfied that it can withstand a significant downturn without breaching capital requirements.

As part of the assessment the Bank ranked every counterparty on a scale from 1 to 5, with 1 being the least vulnerable counterparties and 5 being the most. The assessment focussed on the counterparties' ability to repay interest and capital on time over the life of each exposure, with specific focus on their ability to overcome a prolonged suspension of normal business activities. As at the end of March 2020, the Bank had c$252m excess capital above the regulatory requirement (including buffers). A 100% default (assuming full loss given default) of the 2 highest categories of exposures would result in a reduction of capital resources of c$127m which means that the Bank would still have additional headroom of $125m of capital above regulatory requirements to absorb further losses, even from those rated 3 (this represents 63% of all exposures classified as category 3 in our stress). This assumes all counterparties default at the same time, without any benefit of available security and no management actions being taken. We should highlight that it is not the expectation of the Bank that these counterparties will default, but that the numbers are merely presented as a severe stress scenario to illustrate the robustness of the Bank from a capital perspective.

The Bank further contemplated rerunning the stress tests incorporated in our 2018 ICAAP, which are specific to the individual institution as expected by the Regulator but at least as severe as the Bank of England stress (The Bank's combined stress applied in the ICAAP applies a higher severity than the Bank of England stress). We did however not rerun the stress as the CAR at the end of 2019 is higher than at the end of 2018 and the loan balance (and subsequently the risk weighted assets) has reduced. A similar stress on the 2019 Balance Sheet would therefore result in a more favourable result than the outcome based on the 2018 Balance Sheet and it was therefore concluded that a counterparty by counterparty assessment as described above would provide a more useful and accurate indication of the Bank's ability to withstand significant capital reductions.

The Bank also conducted a long term liquidity forecast to determine the maximum cumulative outflow during the year assuming higher than normal drawdowns on committed liquidity facilities provided to clients whilst not being able to access any new funding. Whilst both of these situations are unlikely in our view, the Bank's modelling shows that current liquidity resources are more than adequate to withstand this and still remain healthy from a liquidity point of view. As part of this forecast the Bank mapped out all legal maturities and matched in- and outflows of cash to find the time bucket in which the largest cumulative outflow of cash will take place. Any on-demand deposits were treated as immediate outflows, including those from the ICBC London Branch. We then assumed all undrawn committed facilities are 100% drawn at the same time within the same time bucket, representing the worst possible cash outflow position to the Bank (this is significantly more severe than the most severe stress scenario in the 2018 ILAAP). As at the end of March 2020 the Bank would still have had c$600m excess liquidity resources available even after the total stress outflow as described above takes place. This assumes no new funding and no support from the Parent Bank (either directly or via the London Branch). It is further worth noting that although the Bank's Liquidity Coverage Ratio (LCR) was 255% at the end of 2019, which is already double the regulatory minimum, the LCR at the end of March 2020 exceeded 300%.

Although the Bank is confident that it is robust from both a capital and liquidity perspective, it needs to be highlighted that the uncertainties surrounding Covid-19 are very high and may impact profitability. The Bank has a very low exposure to market and interest rate risk, but if there is an increase in non-performing loans it will impact our profitability. Similarly, we expect impairment levels based on IFRS 9 modelling to increase as the year progresses and possible interest holidays will impact the net interest income negatively. As at the date of this report the Bank has not had any requests for such holidays and has not had any defaults of interest or capital on any exposure. We can however not be certain that this will continue to be the case and therefore acknowledge that there is a high probability of lower than expected profits for the year, particularly if the impact of the pandemic is prolonged. It should further be noted that the counterparties most likely to request payment holidays have already been included in the two most severe categories in our capital stress which assume a 100% default. Any interest holiday for one of those names would have a smaller impact on profit than a full default.

The future relationship between the United Kingdom and the European Union

With the focus having shifted away for the key leave/remain question, the complex process of agreeing a future relationship has just started. The UK's Prime Minister has set a very ambitious target for negotiating and successfully achieving a trade deal by the end of 2020 and much uncertainty remains over the consequences should this deadline not be met, but we recognise that in a worst case scenario a no-deal outcome is still a possibility. The level of access for the financial services industry to the EU market is of particular importance and we will follow developments closely.

The potential uncertainty surrounding the future relationship is constantly monitored and integrated into the Bank's strategic plans, notably the impact on market volatility, a weaker sterling and negative macro-economic forecasts. The Bank will continue doing contingency planning and this will remain a focus of the Executive Committee and the ALCO. We also continuously monitor our direct exposure to the European Union and the possible impact of a "no-deal Brexit" on our European assets, including the worst case scenario of exiting those positions. Senior

Strategic Report

Management receives a full market update on a weekly basis, identifying emerging trends and updates on any material legislative changes, proposals and political events.

As it stands the Bank is of the opinion that a no-deal outcome at the end of 2020 will not have a direct material negative impact on our business in the foreseeable future given our increased focus on the UK market and the fact that the ICBC group already has banking operations in a number of other EU countries, reducing the dependency on the Bank to increase its exposure to the European Union in times of uncertainty. However, the Bank is not immune to the wider indirect impact of such an outcome on the economy and the financial markets in general and therefore ensures that it remains highly capitalised with significant excess liquidity.

Transition away from (L)ibor to Risk Free Rates

International regulators (under the framework of the Financial Stability Board) have been driving the move in benchmark rates away from Libor (and other ibor rates) to what is generally become known in Europe as Risk Free Rates (RFRs) or Alternative Benchmark Rates (ABR). In the UK it is the aim of the FCA that the use of Libor is completely ceased as a reference rate by the end of 2021 and replaced with RFRs. A different RFR is being proposed for each of the major currencies that the Bank does business in (USD, EUR and GBP). This is one of the biggest changes ever to impact the global financial services industry and poses significant challenges for the Bank in the coming year.

The transition to RFRs will impact both existing and new transactions. For any existing lending (and related products like derivatives) with a maturity post 2021 the Bank needs to ensure that there is a smooth transition which may include changes to existing contractual terms, methodology changes to the way in which we value exposures, changes to our systems and processes to accommodate interest calculations, payment data, accounting accruals and reporting as well as assessing whether related hedges and other products still achieve the objectives they were designed for when initially entered into.

For new products the Bank needs to ensure that we have the systems and process capabilities in place to serve our clients' needs with the right product offering at the right time. Demand in the market for non-Libor lending is expected to increase substantially over the next 12 months and the Bank needs to be ready to react to this challenge.

We do not underestimate the scale of change required. Libor transition is a standing item on the agenda of the monthly ALCO meeting and the Bank has nominated two members of the Senior Management to perform high-level oversight of the transition project. We have a working group in place led by a senior project manager and including members of the Senior Management, Heads of business units (Corporate Banking, Institutional Banking, Global Loan Syndications, Banking), Heads of central functions (Treasury, Financial Control, IT), Heads of control functions (Risk, Compliance) and other key staff. The working group is responsible for identifying LIBOR-related risk throughout the Bank and coordinating our approach to mitigating the risk from transition.

Earlier in the year the Bank formalised its LIBOR Transition Work Plan with key milestones and deadlines covering 12 key areas including governance, communications, risk management, contract remediation, and operational readiness. The Bank recognises that this plan will evolve as and when new developments take place given that LIBOR transition is both a market-led and regulator-push process, with reliance on markets to provide tools and infrastructure. The Plan and its progress report, as well as the transition road map indicating key work-streams, are updated monthly.

Non-financial performance indicators

The Bank does not evaluate success purely on the basis of financial and quantitative indicators. In addition to these, the Bank also closely monitors non-financial indicators and trends to measure our performance. These include staff retention rates, the diversity of our employees, work/life balance, development opportunities available and taken up (available both in the Bank and throughout the wider ICBC group) and our corporate social responsibility.

Our remuneration policy is designed to ensure that we reward performance not purely based on financial results but also taking into account sound risk management practices and the employees' contribution to the organisation's non-financial objectives. Amongst the non-financial key indicators included in our competency framework and therefore directly impacting remuneration of employees are (i) compliance with regulatory requirements and internal policies and procedures, (ii) continuous professional development and (iii) the application of best practice in what we do. These indicators are used in the assessment of all employees, including the Senior Management of the Bank. We competitively benchmark to the market and strongly promote career development and progression.

Staff from across the Bank have participated in a number of events as part of our corporate social responsibility campaign including providing reading support to local primary school children. The Bank also supports the local arts community: in 2019 we were a main sponsor of the Royal Shakespeare Company's rendition of "As You Like It". In addition to that the Bank contributed to a number of cross- UK/China business initiatives, including supporting the partnership between CCCUK and The Lord Mayor's Appeal, aiming to strengthen the cultural and business ties between the City and China and to raise funds for the Lord Mayor's Appeal (50%) and a rural school in Shaanxi Province, China (50%).

At the end of the year we had 185 full time employees (2018: 181). These numbers include active vacancies for permanent positions.

Future developments

The Bank will focus on bedding down the most efficient corporate structure to achieve our objective of expanding the UK operations. A key operational focus will be the transition away from Libor which was discussed earlier in this report. Whilst our immediate objective is to not grow the Balance Sheet of the Bank, we will continue to work alongside the London Branch to provide leading commercial and wholesale banking services to all our clients and be the core for operational activities of ICBC in London. We have made some progress in creating an EMEA syndications hub for ICBC and will continue with this initiative in the coming year.

In the past we have ensured that we have built up the appropriate competencies and controls before embarking on new ventures and, together with the London Branch, will continue to do so going forward. Our main focus will remain on wholesale banking whilst retaining a modest and bespoke retail offering. The Bank enjoys strong channels into China through our Parent Bank which allows us to offer a high degree of customer service to large corporate customers banking in both China and the UK.

Earlier this year the PRA set out their main priorities for the year and the Bank will ensure that our priorities are aligned to these. One important aspect is quantification of financial risk due to climate change. The Bank has already put in place procedures to monitor and assess this risk for both existing and new business and will expand our efforts in that regard in the coming years, with a view to developing a more granular climate change risk appetite policy. We have also invested in ensuring that we have the correct infrastructure in place to comply with HMRC's "Making Tax Digital" requirements and are confident that we are in a good position to do so when it becomes effective in 2020.

Governance

The Governance structure of the Bank is set up in accordance with the principles of good corporate governance consistent with the status of our Parent Bank.

The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Board oversees the Bank by collectively directing the Bank's affairs in the interests of its shareholder and relevant stakeholders. They are responsible for establishing the vision and values of the Bank, setting strategy and ensuring that the relevant structures and appropriate delegation to management is in place.

The Board delegates certain responsibilities to its relevant sub-committees (Audit Committee, Risk Committee and, until the end of 2019, Governance and Compliance Committee) as well as to the CEO who in turn delegates responsibilities to the Executive Committee and its individual members, the Credit Committee, the Asset and Liability Committee (ALCO) and the Financial Crime Risk Committee.

The Bank employs two independent UK-based non-executive directors, one of whom is the Chair of the Bank's Audit Committee and one of whom is the Chair of the Risk Committee; one other UK-based non-executive director chaired the Governance and Compliance Committee but from 2020 this Committee will be merged with the Risk Committee; and finally there are two China-based non-executive directors from our Parent Bank.

At an executive level, the Bank's management level committees mentioned above ensure effective implementation of all major policies and operating processes and decisions; establishing clear policies and decision-making procedures; and ensuring appropriate risk management through the three lines of defence and four eyes models. Independent, risk-based internal audit reviews are also undertaken on a regular basis and the Bank is externally audited by KPMG.

We ensure that we fully comply with the conduct risk framework and fully subscribe to the principle of "treating customers fairly" in order that the trust put in us as bankers is well-founded. It is important for the Bank not to be seen to only comply with the letter of the law, but also embrace the spirit of the law and we embed this principle throughout the Bank.

On an individual level, prescribed responsibilities under the Senior Management Regime are mapped to the respective members of the Senior Management team in order to ensure clear responsibility and accountability for executing and overseeing the prescribed functions.

Section 172 of the Companies Act

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of ICBC (London) plc for the benefit of its member as a whole, and in doing so had regard, amongst other matters, to:

- (i) the likely consequences of any decision in the long term;
- (ii) the interests of the Company's employees;
- (iii) the need to foster the Company's business relationships with suppliers, customers and others;
- (iv) the impact of the Company's operations on the community and the environment;
- (v) the desirability of the Company maintaining a reputation for high standards of business conduct; and;
- (vi) the need to act fairly as between members of the Company.

The Directors also took into account the views and interests of a wider set of stakeholders, including our pensioners, our regulators, the Government, and non-government organisations.

In setting the long term strategic direction for the Bank, we do not only consider financial metrics, but also consider the impact our plans will have on all our members and the society we operate in generally. We acknowledge that the Bank can only maintain its reputation as a responsible corporate citizen if it is managed in a way that promotes the well-being of all stakeholders involved with the Bank. This wider responsibility is embedded in the mission and value statement of the Bank.

Our employees are at the heart of what we do and being a relatively small company by number of employees operating in one location we have the benefit of a high-level of personal employee engagement. In addition to that the Bank has several other means to engage directly with employees through breakfast meetings with the CEO, regular Town Hall meetings, a quarterly newsletter and an invitation to provide personal feedback or suggestions on any matter (either by name or anonymously) through a dedicated staff mailbox. More detail on employee engagement is provided elsewhere in the Strategic Report.

At our core we are a relationship based Bank and our success is therefore predicated on building long term partnerships with our customers and suppliers to the mutual benefit of all parties. This means we are dedicated to ensure that our staff and management maintain a personal relationship with our customers and where possible incorporate regular site visits to get an understanding of our customers current needs and future plans and ambitions.

As part of the much larger ICBC banking group we are constantly looking at the role we can play in improving our impact on the environment (either through supporting global green finance or ESG initiatives, or supporting smaller initiatives locally). We recognise that we have a responsibility to our local community and the Bank therefore actively engages in a number of ways to make a difference, amongst them providing reading support for local school children and supporting the arts.

Strategic Report

Conclusion

The coming year will not be short of challenges but we also see significant opportunities for the Bank and the ICBC operations in the UK generally. We are confident that we are well placed to withstand and manage uncertainty but also to take advantage of the opportunities. Our capital, liquidity and funding remains robust and we look forward to a successful year ahead.

The Strategic Report was approved by the Board on 23 April 2020 and signed on its behalf by:

Ruixiang Han

Chief Executive Officer

Board of Directors and other information

Directors

Hao Hu (Chairman- resigned on 26 February 2020)
Ruixiang Han (Director and Chief Executive Officer)
Shuyi Yuan (Director and Deputy Chief Executive Officer)
Qingsheng Lin (Non-Executive Director)
David Newton (Independent Non-Executive Director)
Alan Gemes (Independent Non-Executive Director)
John Kerr (Non-Executive Director- resigned on 31 December 2019)
Graeme Tosen (Director – appointed on 26 February 2020 and Chief Financial Officer)

Company Secretary

Asim Siddiqui (Appointed on 26 February 2020)

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Registered Office

81 King William Street
London
EC4N 7BG

Management Team

Ruixiang Han (Chief Executive Officer)
Shuyi Yuan (Deputy Chief Executive Officer)
Graeme Tosen (Chief Financial Officer)
Xiao Lu (Deputy General Manager)
Robert Clark (Deputy General Manager and Chief Risk Officer)
Ying Shi (Deputy General Manager)

Directors' Report

The directors present their report and the financial statements of the Bank for the year ended 31 December 2019.

Financial statements

The financial statements are prepared in US Dollars ($) as this is the underlying currency in which the Bank conducts its principal activities.

Matters included within the Strategic Report

Details of business review, future developments indication of financial risk management objectives and policies and the Bank's exposure to market risk, credit risk and liquidity risk have been included in the Strategic Report.

Results and dividends

The trading results for the year, and the Bank's financial position at the end of the year, are shown in the attached financial statements.

No dividend has been paid and the directors do not recommend the payment of a dividend for the year.

The profit of the Bank for the year, after taxation, amounted to $18.98 million (2018: $25.37 million). The credit balance on the Profit and Loss Account is to be carried forward.

Principal activities

The principal activities of the Bank are international banking and related services within the scope of permissions granted to the Bank under the Financial Services and Markets Act 2000.

Events since the balance sheet date

There is a significant rise in global uncertainty due to the Covid 19 (Coronavirus) pandemic since the beginning of the first quarter of 2020. The economic activities have been slowing down due to an introduction of the lock down measures by many countries including the UK. It has also added challenges on the smooth operations of the Bank and other businesses.

The precise impact of Covid-19 pandemic cannot be quantified at the signing date of the Balance Sheet, but an assessment of the worst reasonably possible but plausible adverse scenario on the resources of the Bank has been considered in the Covid-19 impact section of the Strategic Report.

Directors and their interests

The directors who held office during the year were as follows:

Hao Hu (Chairman- resigned on 26 February 2020)
Ruixiang Han (Director and Chief Executive Officer)
Shuyi Yuan (Director and Deputy Chief Executive Officer)
Qingsheng Lin (Non-Executive Director)
David Newton (Independent Non-Executive Director)
Alan Gemes (Independent Non-Executive Director)
John Kerr (Non-Executive Director- resigned on 31 December 2019)
Graeme Tosen (Director- appointed on 26 February 2020 and Chief Financial Officer)

No contracts of significance in relation to the Bank's business in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, within the meaning of Section 413 of the Companies Act 2006.

Donations

During the financial year the Bank made no political donations (2018: Nil).

Going Concern

The Bank's directors have made an assessment of the Bank's ability to continue as a going concern.

In assessing going concern, the Directors take account of all information which they are aware of about the future, which is at least, but not limited to, 12 months from the date that the Balance Sheet is signed. The Directors assess

Directors' Report

the Bank's forecasted results and projections, estimated capital, funding and liquidity requirements, contingent liabilities, and possible economic, market and product developments under a normal and stressed scenarios, encompassing a range of potential future trade relationships between the UK and the European Union, including a no-deal Brexit scenario. The Directors have also considered, to the extent possible, the impact of Covid 19 in the going concern assessment. The Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future. Further, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Due to the Covid-19 pandemic additional stress tests were performed on both capital and liquidity and the results of these were taken into consideration in making the going concern assessment. More detail on these can be found in the Strategic Report.

As mentioned in the Strategic Report, the Directors are considering whether a dual licence (both Subsidiary and Branch) structure remains the most effective way of expanding our business in the UK. At the time of signing the financial statements no decision has been made. We do not believe that a change in the current structure has an impact on the going concern assessment made in this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.'

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG as the external auditor is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Ruixiang Han

Chief Executive Officer

23 April 2020

Statement of Directors' Responsibilities in respect of the Strategic Report, the Director's report and the financial statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (*UK Generally Accepted Accounting Practice*), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of ICBC (London) plc

Our opinion is unmodified

We have audited the financial statements of ICBC (London) Plc ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 23 June 2015. The period of total uninterrupted engagement is for the four financial years ended 31 December. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Disclosure quality Refer to page 13 and 14 of the Directors' Report for the Going Concern disclosure and page 6 of the Strategic Report for the Covid-19 disclosure. The financial statements explain how the Directors have formed a judgement that it is	Our procedures included: • **Our Covid-19 knowledge:** We considered the Directors' assessment of Covid-19 related sources of risk for the Company's business and financial resources compared with our own understanding of

Independent auditor's report to the members of ICBC (London) plc

appropriate to adopt the going concern basis of preparation for the Company.

That judgement is based on an evaluation of the inherent risks to the Company and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The risk most likely to adversely affect the Company's available financial resources over this period was insufficient regulatory capital to meet minimum regulatory levels over the course of the next 12 months, mainly arising from increased impairment in the loan book

There are also less predictable but realistic second order impacts, such as the impact of Covid-19, which could lead to a rapid increase in the impairment levels in loans and advances to customers.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

the risks. We considered the directors' plans to take action to mitigate the risks;

- **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible, (but not unrealistic) plausible, adverse scenarios that could arise from these risks individually and collectively.
- We challenged the stress testing undertaken by the Directors of the identified critical factors in their financial forecasts.
- **Evaluating Directors' intent:** We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.
- **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure, including those in the strategic report, by comparing the overall picture against our understanding of the risks.

Our results:

We found the going concern disclosure without any material uncertainty to be acceptable (2018: acceptable)

KPMG

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of ICBC (London) plc

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers at amortised cost Refer to page 30 (accounting policy) and page 45 (impairment loss disclosures) **Subjective estimate** IFRS 9 requires the Company to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates. The carrying value of financial instruments within the scope of IFRS 9 ECL may be materially misstated if judgements or estimates made by the Company are inappropriate.	**Control design, observation and operation:** We tested the design and operation of controls over ECL including: — the accuracy of data input into the system used for credit grading and the approval of credit facilities — assessing the suitability of the model used ; and — the ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating, on a timely basis to the watchlist or the impaired assets report. **Our financial risk modelling expertise:** We involved our own financial risk modelling specialists in our risk assessment procedures over the IFRS 9 impairment model (including the assessment of the macroeconomic variables), to determine that no significant modifications were required to the current model or methodology. **Tests of details:** Key aspects of our testing involved: — Re-performing the model calculation to assess whether the calculation was working as per our expectations; and — Sample testing over key inputs and assumptions impacting ECL calculations. **Our results:** We considered the credit impairment charge and provision recognised and the related disclosures to be acceptable (2018: acceptable).

In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Company's own preparation and further assessment, the relative significance of this matter on our audit work has reduced, including in relation to the assessment of impairment of loans and advances to customers, which remains a key audit matter. Accordingly, we no longer consider this a key audit matter.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at $1.06m (2018: $1.33), determined with reference to a benchmark of profit before tax, of which it represents 5% (2018: 5%).

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding $53k (2018: $66k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

KPMG

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of ICBC (London) plc

Our audit of the company was undertaken to the materiality level specified above and was performed at the Company's registered office in London.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

5 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of ICBC (London) plc

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 15, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company'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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management as required by auditing standards, and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Independent auditor's report to the members of ICBC (London) plc

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Suvro Dutta (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

23 April 2020

Profit and Loss Account

for the year ended 31 December 2019

	Notes	2019 $ '000	2018 $ '000
Interest receivable from financial investments	2	13,658	11,608
Other interest receivable	2	42,016	55,803
Interest payable	2	(29,651)	(37,960)
Net interest income		**26,023**	**29,451**
Fees and commissions receivable	2	1,750	4,325
Fees and commissions payable	2	(2,819)	(1,127)
Net fees and commission		**(1,069)**	**3,198**
Revaluation gain/(loss) on financial derivatives	11	145	(983)
Foreign exchange gain and realised gain on financial derivatives		485	2,379
Other operating income	3	9,374	8,288
Gain on sale of tangible assets		-	3
Gain on sale of financial instruments		-	28
Other income		**10,004**	**9,715**
Total operating income		**34,958**	**42,364**
Personnel expenses	4	(33,657)	(30,039)
Depreciation of tangible fixed assets	14	(1,742)	(1,684)
Amortisation of intangible assets	15	(88)	(99)
Impairment losses	10	(618)	(167)
Other operating expenses	6	(8,291)	(9,094)
Reimbursement of expenses attributable to the Branch		33,738	29,697
Operating expenses		**(10,658)**	**(11,386)**
Profit on ordinary activities before tax		**24,300**	**30,978**
Tax on profit on ordinary activities	7	(5,318)	(5,611)
Profit for the financial year		**18,982**	**25,367**

All activities of the Bank are considered to relate to continuing operations.

Notes 1 to 37 form part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 $ '000	2018 $ '000
Profit for the financial year		**18,982**	**25,367**
Other comprehensive income:			
Change in fair value of financial investments at fair value through other comprehensive income (FVOCI)	22	3,342	(1,431)
Impairment allowance on financial investments at FVOCI	10	30	72
Tax on components of other comprehensive income	22	(858)	193
Other comprehensive income/(loss) for the year, net of income tax		**2,514**	**(1,166)**
Total comprehensive income for the year		**21,496**	**24,201**

Notes 1 to 37 form part of these financial statements.

Balance Sheet

As at 31 December 2019

	Note	2019 $ '000	2018 $ '000
Assets			
Cash and balances at central banks		376,810	10,369
Loans and advances to banks	8	741,330	900,153
Loans and advances to customers	9	513,279	809,084
Derivative financial instruments	11	17,623	12,667
Financial investments at fair value through other comprehensive income(FVOCI)	12	391,350	393,988
Financial investments at amortised cost	13	160,762	191,156
Tangible fixed assets	14	35,321	36,761
Intangible assets	15	159	144
Prepayments, accrued income and other assets	16	17,449	20,309
Total Assets		**2,254,083**	**2,374,631**
Liabilities			
Deposits by banks	18	1,380,084	1,355,754
Customer accounts	19	395,956	467,426
Derivative financial instruments	11	17,277	12,466
Provisions	24	2,633	2,997
Accruals and deferred income	20	3,133	4,564
Subordinated loan	23	-	100,000
Current tax liabilities		1,805	1,175
Deferred tax liabilities	17	1,380	449
Other liabilities		7,882	7,363
Total Liabilities		**1,810,150**	**1,952,194**
Share Capital and Reserves			
Authorised and called up share capital	21	200,000	200,000
Retained earnings	22	243,217	224,235
Other reserves	22	716	(1,798)
Total Share Capital and Reserves		**443,933**	**422,437**
Total Liabilities and Share Capital and Reserves		**2,254,083**	**2,374,631**
Memorandum items			
Contingencies and commitments	25	129,519	308,233

These financial statements were approved by the Directors on 23 April 2020 and are signed on their behalf by:

Ruixiang Han
Director

Graeme Tosen
Chief Financial Officer

Company Registration No: 4552753

Notes 1 to 37 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Ordinary Share Capital	Retained Earning	Other Reserves	Total Equity
	$ '000	$ '000	$ '000	$ '000
Balance at 1 January 2018	**200,000**	**199,057**	**(657)**	**398,400**
Adjustment on initial application of IFRS 9	-	(189)	25	**(164)**
Restated balance at 1 January 2018	**200,000**	**198,868**	**(632)**	**398,236**
Profit for the year	-	25,367	-	**25,367**
Other comprehensive loss	-	-	(1,166)	**(1,166)**
Balance at 31 December 2018	**200,000**	**224,235**	**(1,798)**	**422,437**
Balance at 1 January 2019	**200,000**	**224,235**	**(1,798)**	**422,437**
Profit for the year	-	18,982	-	**18,982**
Other comprehensive income	-	-	2,514	**2,514**
Balance at 31 December 2019	**200,000**	**243,217**	**716**	**443,933**

Notes 1 to 37 form part of these financial statements.

Statement of Cash flows

for the year ended 31 December 2019

	Notes	2019 *$ '000*	2018 *$ '000*
Cash flows from operating activities			
Profit before tax		**24,300**	**30,978**
Adjustments for non-cash items			
Depreciation of tangible fixed assets	14	1,742	1,684
Tangible fixed assets expensed off	14	-	17
Amortisation of intangible assets	15	88	99
Impairment losses	10	618	167
Interest income	2	(55,674)	(67,411)
Interest expense	2	29,651	37,960
Gain on disposal of tangible fixed assets		-	(3)
Gain on sale of financial investments at FVOCI		-	(28)
Exchange gain and accretion of discounts and amortisation of premiums on financial investments		(2,297)	474
Revaluation gain/(loss) on financial derivatives	11	(145)	983
		(26,017)	**(26,058)**
(Increase)/ decrease in operating assets			
Loans to banks	8	183,979	(63,378)
Loans and advances to customers	9	294,894	144,068
Other assets	16	(801)	(3,158)
		478,072	**77,532**
(Decrease)/increase in operating liabilities			
Deposits by banks	18	24,330	(120,140)
Deposits from customers	19	(71,470)	91,692
Subordinated loan	23	(100,000)	-
Other liabilities		200	154
		(146,940)	**(28,294)**
Adjustment for cash items			
Interest received		59,335	66,312
Interest paid		(30,790)	(36,643)
Income tax paid		(4,616)	(7,208)
		23,929	**22,461**
Net cash from /(used in) operating activities		**353,344**	**76,619**
Cash flow from investing activities			
Acquisition of financial investments at FVOCI	12	(48,844)	(224,306)
Maturity /Disposal of financial investments at FVOCI	12	57,000	275,189
Acquisition of financial investments at amortised cost	13	-	(142,014)
Maturity of financial investments at amortised cost	13	30,000	19,688
Acquisition of tangible fixed assets	14	(302)	(468)
Disposal of tangible fixed assets	14	-	3
Acquisition of intangible assets	15	(103)	(65)
Net cash from /(used in) investing activities		**37,751**	**(71,973)**
Net cash from financing activities		-	-
Net (decrease)/ increase in cash and cash equivalents		**391,095**	**4,646**
Cash and cash equivalents at 1 January	28	**78,694**	**71,939**
Effects of exchange rates on cash and cash equivalents		497	2,109
Cash and cash equivalents at 31 December	28	**470,286**	**78,694**

The notes 1 to 37 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

1. Accounting policies

1.1 Corporate information

ICBC (London) plc (the Bank), a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited, is incorporated and domiciled in England and Wales with its registered office at 81 King William Street, London EC4N 7BG. The Bank is licensed to carry on banking business in the United Kingdom under the regulatory supervision of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA).

1.2 Basis of preparation

- ***Statement of Compliance***

The financial statements have been prepared in accordance with FRS 102, the Companies Act 2006 and the special provisions of Schedule 2 of Large and Medium-sized Companies and Group (Accounts and Reports) Regulation 2008.

At the time of approval of these financial statements, the Board of Directors of the Bank was satisfied that the capital and liquidity position of the Bank remained satisfactory for at least twelve months from the signing date of the Balance sheet. Due to the Covid-19 pandemic the Bank did an assessment of the risk to capital due to increased credit risk at an individual counterparty basis and performed a severe stress on the capital resources, assuming a significant number of counterparties (from more vulnerable sectors) defaulted at the same time (at a 100% loss given default) without taking into account any benefit from security or additional management actions. In addition, a liquidity analysis for the next 12 months was performed with a stress overlay assuming no new funding and a full draw down of all committed facilities at the same time. The Bank maintained a sufficient capital and liquidity position after the respective stresses were applied.

The financial statements are prepared on a going concern basis considering the factors mentioned above. More detail on going concern is provided in the Directors' Report and Statement of Directors' Responsibilities.

The financial statements were authorised for issue by the Board of Directors of the Bank on April 2020.

1.3 Review of accounting policies

The Bank prepares financial statements in accordance with FRS 102. The Bank has chosen to adopt the recognition and measurement provisions of IFRS 9 Financial Instruments issued by the IASB in July 2014, the disclosure requirements of Section 11 and 12 and the presentation requirements of paragraph 11.38A or 12.25B of FRS 102 in respect of Financial Instruments from 1 January 2018, departing from the recognition and measurement provisions of IAS 39.

1.4 Functional and presentational currency

The financial statements are prepared in US Dollars, which is the functional currency of the Bank. Unless otherwise indicated, all the figures are rounded to the nearest thousand.

1.5 Foreign currencies transactions and balances

Transactions in currencies other than US Dollars are translated into US Dollars using the spot exchange rate ruling at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in currencies other than US Dollars are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non- monetary items measured at fair value are measured using the exchange rate when fair value was determined.

When FRS 102 requires a gain or loss on non-monetary items to be recognised in other comprehensive income, the Bank recognises any component of that gain or loss in other comprehensive income.

Notes to the financial statements

for the year ended 31 December 2019

1.6 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Actual results may differ from these estimates.

The key assumptions concerning the future, management judgements and estimations that have a significant risk of causing a material adjustment to the carrying amount of assets or liabilities within the next financial year are set out below:

1.6.1 Impairment losses on financial assets

The Bank determines impairment losses on financial assets based on the expected credit loss (ECL). The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

1.6.2 Classification of financial assets

The classification of financial assets is based on (i) the business model within which financial assets are managed and (ii) contractual cash flow characteristics (whether the cash flows represent 'solely payment of principal and interest'(SPPI)). Determining the appropriate business models and assessing the SPPI requirements for the financial assets may require significant accounting judgement.

1.6.3 Fair value of financial instruments

The fair values of financial assets and liabilities recorded on the Balance Sheet are primarily derived from active markets. In the absence of an active market, the fair value is determined using a variety of valuation techniques that include the use of mathematical models. To the extent possible, valuation techniques make maximum use of market inputs. However, when market inputs are not available, the Bank employs internal financial modelling based on professional judgement and best practice. Currently, market inputs are readily available for a valuation of the majority of financial derivatives.

1.7 Exemption under FRS 102

The Bank has taken advantage of the following exemptions under FRS 102:

1.7.1 Related Party Disclosure

The Bank has taken advantage of the exemption, under FRS 102.1.12 (e), to disclose key management personnel compensation in total.

Notes to the financial statements

for the year ended 31 December 2019

1.8 Significant Accounting Policies

1.8.1 Financial instruments

The Bank has chosen to adopt the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted for use in the EU), the disclosure requirements of Section 11 and 12 and the presentation requirements of paragraph 11.38A or 12.25B of FRS 102 in respect of Financial Instruments from 1 January 2018.

1.8.1.1 Financial Assets

The Bank classifies and subsequently measures the financial assets based on:

- The business model within which financial assets are managed; and
- Contractual cash flow characteristics

Based on these factors, the Bank classifies its financial assets into one of the following three measurement categories:

i. Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss (FVPL), are measured at amortised cost. The carrying amount of these assets is adjusted by the impairment allowance.

Loans to banks, loans to customers and some bond investment of the Bank are measured at amortised cost.

ii. Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the Profit and Loss Account.

The Bank only measures some bond investments held for liquidity purposes at FVOCI.

iii. Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss.

The Bank measures financial derivatives at FVPL.

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of an 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

1.8.1.2 Impairment of financial assets

The impairment of financial assets is recognised based on a forward-looking "expected credit loss" (ECL) model. Expected credit losses are the difference between contractual and expected cashflows over the life of the instrument discounted at the asset's original effective interest rate. In estimating this, the Bank has to consider all relevant historical information as well as expectations of the future. The impairment model is applicable to financial assets recorded at amortised cost or at fair value through other comprehensive income, loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

The measurement of expected loss will involve increased complexity and judgement including estimation of Probability of Default (PD), Loss Given Default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. The modelling techniques section below provides further information on this.

Financial assets migrate through the following three stages based on the change in credit risk since the initial recognition:

Stage 1: 12-months Expected Credit Losses (ECL)

The 12-months ECL is the discounted sum over the next 12 months of the monthly ECL. For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with default events occurring within the next 12 months is recognised and interest revenue is calculated on the gross carrying amount of the asset.

Stage 2: Lifetime ECL – not credit impaired

Lifetime ECL is the discounted sum of monthly ECL over the full remaining life of the instrument. For exposures where there has been a significant increase in credit risk since initial recognition but there is no objective evidence of impairment, a lifetime ECL associated with the probability of default events occurring over the maximum contractual period during which the Bank is exposed to credit risk is recognised. Interest revenue is calculated on the gross carrying amount of the asset.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit-impaired when there is objective evidence of impairment at the reporting date. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of credit allowance) of the asset.

Notes to the financial statements

for the year ended 31 December 2019

An exposure will migrate through the ECL stages as asset credit quality deteriorates. If, in a subsequent period, asset credit quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the credit allowance reverts from lifetime ECL to 12-months ECL.

Significant increase in credit risk (SICR)

When determining whether the risk of default has increased significantly since the initial recognition, the Bank considers both quantitative and qualitative information and analysis based on the Bank's historical experience and expert credit assessment, including forward-looking information. The quantitative test for determining the SICR includes a deterioration of the probability of default (PD) of counterparties at the reporting date compared to the life time PD at the date of origination (the PD needs to deteriorate at higher scale - both in terms of the percentage and the absolute value - for a highly rated counterparty than for a counterparty rated as a sub-investment grade in order to trigger the SICR); and a backstop of 30 days past due. The criteria used to identify significant increases in credit risk are monitored and reviewed periodically by the Bank.

Default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

i. Quantitative default criteria

The borrower is more than 90 days past due on its contractual payments.

ii. Qualitative default criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The issuer or obligor is in significant financial difficulty.
- There is a breach of contract, such as a default or delinquency in interest or principal payments.
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.
- The borrower is insolvent or facing liquidity, business and financial risk exposures.

The above criteria are applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Bank's ECL calculations.

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of typically 6 months. The period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after curing using different possible cure definitions.

Forward-looking information

The assessment of significant increases in credit risk and the calculation of ECLs both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

This analysis considered a range of relevant forward-looking macroeconomic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Macroeconomic factors taken into consideration include, but are not limited to, unemployment levels, interest rates, gross domestic product, inflation and commercial property prices, and require evaluation of both the

Notes to the financial statements

for the year ended 31 December 2019

current and forecast direction of the macroeconomic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macroeconomic factors will affect ECLs.

In addition to the base case economic scenario, other possible scenarios along with scenario weightings are sourced externally. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The scenario weightings are determined by a combination of external sources and expert credit judgement, taking account of the range of possible outcomes represented by each chosen scenario.

The assessment of significant increases in credit risk is performed using lifetime PD under each of the base case and other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECLs should be recorded. Following this assessment, the Bank measured expected credit losses as either a probability-weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying by the appropriate scenario weighting (as opposed to weighting the inputs).

Modelling techniques

Expected credit losses are calculated using three main components, i.e. PD, EAD and LGD. These parameters are generally derived from internally-developed statistical models combined with historical, current and forward-looking customer and macroeconomic data. For accounting purposes, the 12-month and lifetime PDs represent the expected point-in-time probability of a default over the next 12 months and the remaining lifetime of the financial instrument respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

The LGD represents expected loss given default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.

The 12-months ECL is equal to the discounted sum over the next 12 months of the monthly ECL, where the monthly ECL is the specific monthly PD multiplied by the respective monthly LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly ECL over the full remaining life of the instrument.

Modification of contractual cash flows

Modifications of the contractual cash flows of a financial asset might result in de-recognition of the existing instrument if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different instrument. The date of the modification is the date of initial recognition for the new financial asset.

Where a modification does not result in de-recognition, the gross carrying amount of the modified asset is adjusted to reflect the revised contractual cash flows. The new gross carrying amount is determined as the present value of the estimated future modified contractual cash flows discounted at the asset's original effective interest rate. The resulting adjustment is charged to the income statement as a gain or loss on modification.

Modified assets are assessed to determine whether a significant increase in credit risk has occurred. The Bank considers the credit risk at the reporting date under the modified contractual terms of the asset. This is compared to the credit risk at initial recognition under the original unmodified contractual terms of the financial asset. If this comparison does not show a significant increase in credit risk, the loss allowance is measured at a 12-month ECL.

Write-offs

The gross carrying amount of a financial asset will be reduced when the Bank has no reasonable expectations of recovering the asset. Write-offs can relate to a financial asset in its entirety or to a portion of it. Such assets are written off against the related credit allowance. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

1.8.1.3 Financial Liabilities

The Bank classifies its financial liabilities in the following categories:

i. *Financial Liabilities designated at fair value through profit or loss*

Financial liabilities may be designated at fair value through profit or loss only if such a designation:

- eliminates or significantly reduces a measurement or recognition inconsistency;
- applies to a group of financial assets, financial liabilities, or both which is managed and its performance is evaluated on a fair value basis.

Financial Liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in the Profit and Loss Account. Subsequent to initial recognition, any gain or loss arising from changes in fair value are recognised in the Profit and Loss Account.

ii. Other Financial Liabilities

All other financial liabilities are measured initially at fair value including transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Subsequently, they are carried at amortised cost.

1.8.1.4 Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired; or when the Bank has transferred its contractual right to receive the cash flows of the financial assets, and substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

1.8.1.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the financial statements when the Bank has a current legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

1.8.1.6 Derivatives and credit valuation adjustment/ debit valuation adjustment

Derivatives are recorded at fair value at trade date and are subsequently recognised at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are taken to the Profit and Loss Account.

Credit valuation adjustment (CVA) and Debit valuation adjustment (DVA) are adjustments for financial derivatives in order to reflect the credit risk of the counterparty and the Bank's own risk respectively. CVA and DVA are calculated using estimates of exposure at default, probability of default and recovery rates, at a counterparty level.

1.8.1.7 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements (repos) continue to be recognised on the Balance Sheet where substantially all of the risks and rewards are retained. Funds received under these arrangements are included in deposits from banks, customer deposits, or trading liabilities. The difference between sale and repurchase price is treated as an interest expense and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are not derecognised in the financial statements.

Conversely, securities purchased under agreements to resell (reverse repos) at a specified future date are not recognised in the Balance Sheet. The consideration paid, including accrued interest, is recorded in the Balance Sheet, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded as net interest income and is accrued over the life of the agreement using the effective interest rate method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability.

1.8.2 Interest and similar income and expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments measured at fair value through other comprehensive income, interest income or expense is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate and known credit losses that have been incurred, but not future credit losses not yet incurred. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

1.8.3 Fee and commission income

The Bank earns fee and commission income from loans and advances, trade finance facilities and other services such as fund transfer etc. it provides to its customers over a certain period of time. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed;
- income earned from the provision of services is recognised as revenue as the services are provided; and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate.

1.8.4 Taxation

Income Tax comprises current and deferred income tax. Tax is recognised in the Profit and Loss Account, except where it relates to items recognised in other comprehensive income or directly in Equity, in which case tax is recognised in other comprehensive income.

i. Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period-end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred Tax

Deferred tax shall be recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Notes to the financial statements

for the year ended 31 December 2019

Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and legislation enacted, or substantively enacted, by the balance sheet date that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

1.8.5 Tangible fixed assets and depreciation

Fixed assets are recorded at cost less accumulated depreciation and any accumulated impairment.

Depreciation is calculated on a straight-line basis over the period of their estimated useful economic lives as follows:

Building	-	50 years
Refurbishment on building	-	10 years
Leasehold improvements, office furniture and equipment	-	5 years
Motor vehicles	-	5 years
Computer hardware and software	-	3 years

Land is not depreciated

The carrying values of tangible fixed assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate the carrying value may not be recoverable.

1.8.6 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of the assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

Software with an indefinite useful life is amortised on a straight-line basis over 3 years.

1.8.7 Impairment of non-financial assets

At each balance sheet date, the Bank reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment loss is recognised in the Profit and Loss Account. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements

for the year ended 31 December 2019

1.8.8 Employee Benefits

Short-term employee benefits
Short-term employee benefits such as salaries, paid holiday, sick leave and other similar benefits are measured on an undiscounted basis and recognised as expenses in the period of service rendered. Bonuses are recognised as provision to the extent that the Bank has a present obligation to its employees that can be measured reliably. All expenses related to employee benefits are recognised in the Profit and Loss Account in Personal Expenses.

Defined Contribution Pension Plan

The Bank has a defined contribution pension plan for its eligible employees through a personal pension scheme provider. Contributions are charged to the Profit and Loss Account as incurred. The amount recognised in the Profit and Loss Account is disclosed in Note 4.

1.8.9 Leases

The Bank pays rent under operating leases and these rents are charged to the Profit and Loss Account over the lease term on a straight-line basis.

1.8.10 Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

The Bank has made provision for onerous lease contracts as set out at Note 24.

1.8.11 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

1.8.12 Cash and cash equivalents

Cash and cash equivalents comprise cash, balances at central bank and balances due from other banks with a maturity period of less than three months.

Notes to the financial statements

for the year ended 31 December 2019

2. Interest and similar income

2019

	Loans and advances	Financial investments at FVOCI*	Financial Investments at AC**	Financial Derivatives at FVPL***	Deposits by bank	Customer accounts	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Interest and similar income arising from financial investments	-	8,223	5,435	-	-	-	**13,658**
Other interest and similar income	41,958	-	-	58	-	-	**42,016**
Total Interest and similar income	**41,958**	**8,223**	**5,435**	**58**	-	-	**55,674**
Interest expense	-	-	-	-	(27,810)	(1,841)	**(29,651)**
Net interest income	**41,958**	**8,223**	**5,435**	**58**	**(27,810)**	**(1,841)**	**26,023**
Fees and commissions income							1,750
Fees and commissions expense							(2,819)
Net fees income							**(1,069)**

**FVOCI –Fair value through other comprehensive income*

***AC– Amortised cost*

** ** FVPL – Fair Value through profit or loss*

Notes to the financial statements

for the year ended 31 December 2019

2018

	Loans and advances	Financial investments at FVOCI*	Financial Investments at AC**	Derivative instruments at FVPL***	Deposits by bank	Customer accounts	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Interest and similar income							
arising from financial investments	-	7,876	3,732	-	-	-	**11,608**
Other interest and similar income	55,654	-	-	149	-	-	**55,803**
			-				
Total Interest and similar income	**55,654**	**7,876**	**3,732**	**149**	-	-	**67,411**
Interest expense	-	-		-	(33,986)	(3,974)	**(37,960)**
Net interest income	**55,654**	**7,876**	**3,732**	**149**	**(33,986)**	**(3,974)**	**29,451**
Fees and commissions income							4,325
Fees and commissions expense							(1,127)
Net fees income							**3,198**

3. Other operating income

	2019	2018
	$'000	*$'000*
Fees earned for services provided under a service level agreement with related parties	9,374	8,288
	9,374	**8,288**

The Bank earns fee income for the following services provided to related parties:

i. Industrial and Commercial Bank of China Ltd – for providing Foreign Exchange, Precious Metal services, fixed income and derivative services, CNY financing services and CNY exchange trading services.

ii. Industrial and Commercial Bank of China Financial Services LLC – for providing human resources and regulatory compliance services to support its Prime Dealer Services (PDS).

Notes to the financial statements

for the year ended 31 December 2019

4. Personnel expenses

Personnel expenses (including Directors) comprise the following:

	2019	2018
	$'000	*$'000*
Wages and salaries	28,981	25,871
Social security costs	2,996	3,100
Pension costs	961	890
Other costs	719	178
	33,657	**30,039**

Of the total personnel expenses, the cost attributable to the Branch was $26.29 million in 2019 (2018: $22.25 million).This has been included in the "Reimbursement of expenses attributable to the Branch" line in the Profit and Loss Account.

The average number of people employed during the year was made up as follows:

	2019	2018
	No	*No*
- Senior Management	6	6
- Front office functions	58	66
- Risk control and support functions	109	107
	173	**179**

5. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	2019	2018
	$'000	*$'000*
Salary	1,319	1,264
Bonus	261	417
	1,580	**1,681**

Notes to the financial statements

for the year ended 31 December 2019

The emoluments of the highest-paid Director were as below:

	2019 *$'000*	2018 *$'000*
Salary, benefits and performance-related bonus	755	807

6. Other operating expenses

	2019 *$'000*	2018 *$'000*
Administrative expenses	8,188	8,373
Operating leases:		
- Operating lease charges	371	498
- Revision of provision for onerous lease	(477)	(37)
Auditor's remuneration:		
- Audit of the financial statements		
Current year	177	171
Previous year	-	60
- Audit-related assurance services		
Current year	29	29
Previous year	3	-
	8,291	**9,094**

Of the total other operating expenses, expenses attributable to the Branch were $6.08 million in 2019 (2018: $6.20 million). This has been included in the "Reimbursement of expenses attributable to the Branch" line in the Profit and Loss Account.

7. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2019 *$'000*	2018 *$'000*
Current tax:		
UK corporation tax	(5,519)	(6,023)
Adjustments in respect of prior years	273	432
Total current tax	**(5,246)**	**(5,591)**

Notes to the financial statements

for the year ended 31 December 2019

Deferred tax:		
Origination and reversal of timing differences	(66)	(26)
Adjustment for prior years	(6)	6
Total deferred tax (charge)/credit for the year	**(72)**	**(20)**
Total charge for the year	**(5,318)**	**(5,611)**

Factors affecting tax charge for the year:

The tax assessed for the year is the standard rate of Corporation Tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 *$'000*	2018 *$'000*
Profit on ordinary activities before tax	**24,300**	**30,978**
Current tax at 19% (2018: 19%)	(4,617)	(5,885)
Bank Surcharge (8% on taxable profit above GBP 12.5 million)	(737)	-
Difference in tax rate used for the current and deferred tax	(16)	42
Non-deductible expenses	(233)	(233)
Other adjustments	17	27
Adjustments in respect of prior years	268	438
Total tax charge for the year	**(5,318)**	**(5,611)**

Reductions in the UK Corporation Tax rate from 20% to 19% (effective from 1 April 2018) and to 17% (effective from 1 April 2020) were substantively enacted in October 2015 and September 2017 respectively. Further, the Bank Corporation Tax Surcharge of 8 % came into effect from 1 January 2017. Since the Bank is a part of a banking group in the UK for Bank Surcharge purposes, the annual surcharge allowance of GBP 25 million is divided equally between the Bank and the Branch.

The deferred tax at 31 December 2019 has been calculated at 25% (17% Corporation Tax + 8% Bank Surcharge).

Consortium relief

In December 2019, the Bank claimed consortium relief for 2018 taxation. The consortium relief enabled the Bank to claim the tax losses suffered by ICBC Standard Bank Plc (ICBCS), a consortium company, against the taxable profit of the Bank in 2018. Consequently, the Bank will receive a repayment of tax previously paid to HMRC for 2018which is included in "Current tax liabilities" in the Balance Sheet.

In accordance with the agreement between the Bank and ICBCS, the Bank has to pay the tax equivalent amount of the tax losses (tax losses multiplied by effective tax rate of the relevant year) to ICBCS as a consideration for its tax losses surrendered to the Bank. The consideration for the tax losses payable to ICBCS was $855k, which is included in "Other liabilities" in the Balance Sheet.

8. Loans and advances to banks

	2019 $'000	2018 $'000
Loans and advances to banks	741,407	900,235
Less: Impairment losses (Note 10)	(77)	(82)
Net loans and advances to banks	**741,330**	**900,153**

The maturity profile of loans and advances to banks analysed by the remaining period as at 31 December to the contractual maturity dates is as follows:

	2019 $'000	2018 $'000
- On demand	93,476	68,325
- Three months or less	508,749	611,000
- Above three months to one year	79,392	92,660
- Above one year to five years	59,790	128,250
	741,407	**900,235**

Loans and advances to banks by geographical area:

	2019 $'000	2018 $'000
Area:		
China	404,042	381,942
Germany	125,000	200,430
Hong Kong	10,728	2,079
Singapore	-	80,000
South Africa	79,392	107,433
United Arab Emirates	33,862	33,824
United Kingdom	60,654	63,508
United States	27,729	11,019
Others	-	20,000

Notes to the financial statements

for the year ended 31 December 2019

	741,407	**900,235**

The above table shows the breakdown of loans and advances to banks based on the country of ultimate risk (for e.g. the exposure to a branch of the bank is classified as per the location of its head office instead of the location of the branch).

	2019	2018
	$'000	*$'000*
Amounts include:		
Due from ICBC group entities	49,608	88,430

9. Loans and advances to customers

	2019	2018
	$'000	*$'000*
Loans and advances to customers	516,305	816,199
Less: Impairment losses (Note 10)	(3,026)	(7,115)
Net loans and advances to customers	**513,279**	**809,084**

The maturity profile of loans and advances to non-bank customers analysed by the remaining period as at 31 December to the contractual maturity dates is as follows:

	2019	2018
	$'000	*$'000*
- Overdue	-	5,000
- Three months or less	-	-
- Above three months to one year	5,950	69,050
- Above one year to five years	498,770	602,529
- Above five years	11,585	139,620
	516,305	**816,199**

Notes to the financial statements

for the year ended 31 December 2019

Loans and advances to customers by geographical area:

	2019	2018
	$'000	*$'000*
Area:		
Angola	21,965	33,732
China	23,519	23,978
France	-	9,381
Hong Kong	27,247	27,317
Netherlands	47,923	73,709
Nigeria	79,602	79,345
Switzerland	-	30,970
United Kingdom	279,723	359,600
United States	-	5,000
Zambia	-	120,000
Others	36,326	53,167
	516,305	**816,199**

Notes to the financial statements

for the year ended 31 December 2019

10. Impairment loss

The total impairment loss charged in the Profit and Loss Account was $618k in 2019. (2018: $167k). The breakdown of impairment losses is set out below:

i. Loans and advances at amortised cost

	Loan & advances to banks	Loan & advances to customers			Total
	Stage 1	Stage 1	Stage 2	Stage 3	
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2018	**245**	**2,035**	**-**	**5,000**	**7,280**
Adjustment on initial application of IFRS 9	(9)	(1,427)	1,252	-	**(184)**
Restated balance at 1 January 2018	**236**	**608**	**1,252**	**5,000**	**7,096**
(Reversed)/charged during the year	(154)	410	(141)	-	**115**
FX translation loss	-	(14)	-	-	**(14)**
Balance at 31 December 2018	**82**	**1,004**	**1,111**	**5,000**	**7,197**
Balance at 1 January 2019	**82**	**1,004**	**1,111**	**5,000**	**7,197**
(Reversed)/charged during the year	(5)	(699)	1,609	-	**905**
Amounts written off	-	-	-	(5,000)	**(5,000)**
FX translation gain	-	1	-	-	**1**
Balance at 31 December 2019	**77**	**306**	**2,720**	**-**	**3,103**

ii. Financial investments at amortised cost

	Stage 1	Stage 2	Stage 3	Total
	$'000	*$'000*	*$'000*	*$'000*
Balance at 1 January 2018	**-**	**-**	**-**	**-**
Adjustment on initial application of IFRS 9	8	-	-	**8**
Restated balance at 1 January 2018	**8**	**-**	**-**	**8**
Charged during the year	27	-	-	**27**

Notes to the financial statements
for the year ended 31 December 2019

Balance at 31 December 2018	**35**	-	-	**35**
Balance at 1 January 2019	**35**	-	-	**35**
Charged during the year	16	-	-	**16**
Balance at 31 December 2019	**51**	-	-	**51**

iii. Financial investments at fair value through other comprehensive income(FVOCI)

	Stage 1 *$ '000*	Stage 2 *$ '000*	Stage 3 *$ '000*	Total *$ '000*
Balance at 1 January 2018	-	-	-	-
Adjustment on initial application of IFRS 9	25	-	-	**25**
Restated balance at 1 January 2018	**25**	-	-	**25**
Charged during the year	47	-	-	**47**
Balance at 31 December 2018	**72**	-	-	**72**
Balance at 1 January 2019	**72**	-	-	**72**
Charged during the year	31	-	-	**31**
Balance at 31 December 2019	**103**	-	-	**103**

iv. Undrawn loan commitments and guarantees

	Stage 1 *$ '000*	Stage 2 *$ '000*	Stage 3 *$ '000*	Total *$ '000*
Balance at 1 January 2018	-	-	-	-
Adjustment on initial application of IFRS 9	92	312	-	**404**
Restated balance at 1 January 2018	**92**	**312**	-	**404**
(Reversed)/charged during the year	(26)	4	-	**(22)**
FX translation loss	(4)	(16)	-	**(20)**
Balance at 31 December 2018	**62**	**300**	-	**362**
Balance at 1 January 2019	**62**	**300**	-	**362**
Reversed during the year	(38)	(296)	-	**(334)**
FX translation loss	-	(4)	-	**(4)**

Notes to the financial statements

for the year ended 31 December 2019

Balance at 31 December 2019	24	-	-	24

11. Derivative financial instruments

In the following table, the fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the Bank in an orderly market transaction at the balance sheet date. The replacement cost is considered to be the same as the positive or negative fair value.

Derivatives are measured at their fair value, which is calculated as the present value of future expected net contracted cash flows at market related rates at the balance sheet date.

	2019			2018		
	Positive fair value	Negative fair value	Revaluation gain/(loss)	Positive fair value	Negative fair value	Revaluation gain/(loss)
	$000	*$000*	*$000*	*$000*	*$000*	*$000*
Forward Exchange Contracts	4,168	(3,998)	396	10,252	(10,478)	(1,279)
Interest Rate Swaps	13,455	(13,279)	(251)	2,415	(1,988)	296
	17,623	**(17,277)**	**145**	**12,667**	**(12,466)**	**(983)**

12. Financial investments at fair value through other comprehensive income (FVOCI)

Financial investments measured at FVOCI include investments in quoted bonds. The Bank values bonds using the quoted market price at the balance sheet date.

	2019	2018
	$''000	*$'000*
Balance at 1 January	**393,988**	**448,210**
Additions	48,844	224,306
Disposals/ Matured	(57,000)	(275,161)
Fair value adjustment	3,343	(1,407)
Premium/ Discount amortisation	561	(387)
Foreign exchange difference	1,614	(1,573)
Balance at 31 December	**391,350**	**393,988**

	2019	2018
	$'000	*$'000*
Analysed by maturity:		
- Due within one year	224,307	56,599

Notes to the financial statements

for the year ended 31 December 2019

- Due after one year	167,043	337,389
Analysed by sector:		
- Government	-	-
- Other sectors	391,350	393,988

13. Financial investments at amortised cost

	2019 *$''000*	2018 *$'000*
Balance at 1 January	**191,191**	**69,522**
Additions	-	142,014
Matured during the year	(30,000)	(19,688)
Premium/ Discount amortisation	314	(657)
Foreign exchange difference	(692)	-
Balance at 31 December	**160,813**	**191,191**
Impairment loss (Note 10)	(51)	(35)
Net balance at 31 December	**160,762**	**191,156**

Notes to the financial statements

for the year ended 31 December 2019

14. Tangible fixed assets

2019

	Land	Building	Office furniture and equipment	Computers	Leasehold improvement	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Original cost:						
At 1 January 2019	**2,785**	**45,001**	**2,153**	**1,169**	**1,184**	**52,292**
Additions	-	35	154	113	-	**302**
Disposals	-	-	(1)	(22)	-	**(23)**
At 31 December 2019	**2,785**	**45,036**	**2,306**	**1,260**	**1,184**	**52,571**
Accumulated depreciation:						
At 1 January 2019	-	**11,241**	**2,069**	**1,037**	**1,184**	**15,531**
Depreciation for the year	-	1,578	80	84	-	**1,742**
Reversal of depreciation of the disposed assets	-	-	(1)	(22)	-	**(23)**
At 31 December 2019	-	**12,819**	**2,148**	**1,099**	**1,184**	**17,250**
Net book value:						
At 31 December 2019	**2,785**	**32,217**	**158**	**161**	-	**35,321**
At 31 December 2018	**2,785**	**33,760**	**84**	**132**	-	**36,761**

Of the total depreciation expense for the year, the depreciation charge attributable to the Branch was $1.37 million in 2019 (2018: $1.25 million). This has been included in the "Reimbursement of expenses attributable to the Branch" line in the Profit and Loss Account.

Notes to the financial statements

for the year ended 31 December 2019

2018

	Land	Building	Office furniture and equipment	Computers	Construction in progress	Leasehold improvement	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Original cost:							
At 1 January 2018	**2,785**	**44,718**	**2,074**	**1,073**	**17**	**1,184**	**51,851**
Additions	-	283	89	96	-	-	**468**
Disposal/written off	-	-	(10)	-	(17)	-	(27)
At 31 December 2018	**2,785**	**45,001**	**2,153**	**1,169**	**-**	**1,184**	**52,292**
Accumulated depreciation:							
At 1 January 2018	**-**	**9,670**	**2,038**	**965**	**-**	**1,184**	**13,857**
Depreciation for the year	-	1,571	41	72	-	-	**1,684**
Reversal of depreciation of the disposed assets	-	-	(10)	-	-	-	**(10)**
At 31 December 2018	**-**	**11,241**	**2,069**	**1,037**	**-**	**1,184**	**15,531**
Net book value:							
At 31 December 2018	**2,785**	**33,760**	**84**	**132**	**-**	**-**	**36,761**
At 31 December 2017	**2,785**	**35,048**	**36**	**108**	**17**	**-**	**37,994**

Of the total depreciation expense for the year, the depreciation charge attributable to the Branch was $1.25 million in 2018 (2017: $1.23 million). This has been included in the "Reimbursement of expenses attributable to the Branch" line in the Profit and Loss Account.

Notes to the financial statements

for the year ended 31 December 2019

15. Intangible assets

	2019 $'000	2018 $'000
Original Cost:		
At 1 January	319	254
Additions	103	65
At 31 December	**422**	**319**
Amortisation		
At 1 January	175	76
Amortisation for the year	88	99
At 31 December	**263**	**175**
Net book value:		
At 31 December	**159**	**144**

16. Prepayments, accrued income and other assets

	2019 $'000	2018 $'000
Accrued interest receivable	6,682	10,343
Prepayments	807	984
Other assets	818	525
Amount owed by ICBC group undertakings	9,142	8,457
	17,449	**20,309**

17. Deferred tax assets/ (liabilities)

	2019 $'000	2018 $'000
Deferred tax liabilities included in the Balance Sheet comprise the following:		
Accelerated capital allowances	(1,257)	(1,190)
Other timing differences	(123)	741
	(1,380)	**(449)**
Movements in deferred tax liabilities during the year were as follows:		
Balance at 1 January	**(449)**	**(618)**
(Charged)/credited to the Profit and Loss Account	(73)	(20)

Notes to the financial statements

for the year ended 31 December 2019

Credited to the opening Retained Earning for the IFRS 9 transitional adjustment	-	63
Charged/credited to Other Comprehensive Income	(858)	126
Balance at 31 December	**(1,380)**	**(449)**

18. Deposits by banks

	2019 *$'000*	2018 *$'000*
Repayable:		
- On demand	95,358	206,166
- Three months or less	435,052	211,101
- Above three months to one year	266,594	499,026
- Above one year to five years	583,080	439,461
	1,380,084	**1,355,754**

	2019 *$'000*	2018 *$'000*
Amounts include:		
Deposits by ICBC group entities	751,303	479,375

19. Customer accounts

	2019 *$'000*	2018 *$'000*
Repayable:		
- On demand	363,745	246,553
- Three months or less	9,460	138,435
- Above three months to one year	22,751	82,438
- Above one year	-	-
	395,956	**467,426**

Notes to the financial statements

for the year ended 31 December 2019

20. Accruals and deferred Income

	2019 $'000	2018 $'000
Accrued interest payable	3,133	4,272
Deferred income	-	292
	3,133	**4,564**

21. Share capital

	2019 $'000	2018 $'000
Authorised share capital, ordinary shares of $1 each		
Balance at 31 December	**250,000**	**250,000**
Allotted, called-up and fully-paid, 200,000,000 ordinary shares of $1 each:		
Balance at 31 December	**200,000**	**200,000**

22. Reconciliation of shareholder's funds and movements on reserves

	Share capital $'000	Retained earning $'000	Other reserves $'000	Total shareholder's funds $'000
At 1 January 2018	**200,000**	**199,057**	**(657)**	**398,400**
IFRS 9 adjustments		(189)	25	**(164)**
Restated balance at 1 January 2018	**200,000**	**198,868**	**(632)**	**398,236**
Profit for the year	-	25,367	-	25,367
Change in fair value of financial investments at FVOCI	-	-	(1,431)	(1,431)
Impairment charged on financial investments at FVOCI	-	-	72	72
Tax charge on change in fair value of financial investments at FVOCI	-	-	68	68
Deferred tax liability recognised through Equity	-	-	125	125
At 31 December 2018	**200,000**	**224,235**	**(1,798)**	**422,437**
At 1 January 2019	**200,000**	**224,235**	**(1,798)**	**422,437**

Notes to the financial statements

for the year ended 31 December 2019

Profit for the year	-	18,982	-	18,982
Change in fair value of financial investments at FVOCI	-	-	3,342	3,342
Impairment released on financial investments at FVOCI	-	-	30	30
Deferred tax recognised through Equity	-	-	(858)	(858)
At 31 December 2018	**200,000**	**243,217**	**716**	**443,933**

23. Subordinated loan

	2019 *$'000*	2018 *$'000*
USD Floating rate note (Libor plus 1.3 %)	-	100,000
	-	**100,000**

The Bank repaid the Subordinated loan to Industrial and Commercial Bank of China Limited, the ultimate parent in April 2019.

24. Provision for Liabilities

i. Onerous lease

	2019 *$'000*	2018 *$'000*		
	77 Shaftesbury Avenue	*36 King Street*	*77 Shaftesbury Avenue*	*Total*
Balance at 1 January	**2,997**	**248**	**2,972**	**3,220**
(Reversal)/Addition during the year	(364)	(248)	25	**(223)**
Balance at 31 December	**2,633**	**-**	**2,997**	**2,997**

a. 77 Shaftesbury Avenue

The Bank leased premises at 77 Shaftesbury Avenue in April 2017 in order to open a branch. However, in November 2017 the Bank decided not to open the branch leading to the premises becoming an onerous lease. The lease will expire in April 2033 with an option to terminate early in April 2026. The Bank is planning to terminate the lease in April 2026 and to sublet the vacant premises until then. However, there was no reasonable prospect of

Notes to the financial statements

for the year ended 31 December 2019

subletting the vacant premises as at the balance sheet date. Therefore, the onerous lease provision is computed on the total rent payable until April 2026, discounted by the 7-year UK Government bond yield.

25. Memorandum items – contingencies and commitments

	2019 *$'000*	2018 *$'000*
Undrawn documentary credits and short-term trade related transactions	686	12,828
Undrawn loans and advances	128,833	295,405
Balance at 31 December	**129,519**	**308,233**

The table above shows the nominal principal amounts of commitments, guarantees and other contingent liabilities. They are mainly credit-related instruments which include both financial and non-financial guarantees and commitments to extend credit. Nominal principal amounts represent the amount at risk should the contract be fully drawn.

Operating lease commitments

At 31 December, the Bank had annual commitments under non-cancellable operating leases as set out below:

	2019 *$'000*	2018 *$'000*
Not later than 1 year	443	426
Above 1 year but less than 5 years	1,773	1,703
5 years and above	443	958

Notes to the financial statements

for the year ended 31 December 2019

26. Related Parties

Ultimate Controlling Company

The Bank is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited, into which the financial statements of the Bank are consolidated. Copies of the group financial statements are available from 55, Fuxingmennei Dajie, Beijing, 100140, China (http://www.icbc-ltd.com/ICBCLtd/en).

Outstanding balance of related party transactions

As per section 33.1A of FRS 102, the outstanding balance of transactions with related parties not wholly-owned by ICBC group is disclosed below:

	2019 *$'000*	2018 *$'000*
Balance sheet		
Assets		
Derivative financial Instruments	-	993
Loans and advances to banks	-	28,149
Prepayments, accrued income and other assets	104	138
Liabilities		
Derivative financial Instruments	1,430	4,183
Deposits by banks	1,174	449
Other liabilities	978	1,343
Notional amount of derivatives outstanding	**132,048**	**152,277**
Profit and loss account		
Interest receivable	381	1,457
Revaluation (loss)/gain on financial derivatives	(187)	21,024
Fees and commission receivable	-	7

The above transactions were with the following group entities:

i. ICBC Standard Bank Plc, 60%-owned subsidiary of Industrial and Commercial Bank of China Limited.

ii. Industrial and Commercial Bank of China (Turkey) Limited, 92.82%-owned subsidiary of Industrial and Commercial Bank of China Limited.

iii. Industrial and Commercial Bank of China (Canada) Limited, 80%-owned subsidiary of Industrial and Commercial Bank of China Limited.

iv. Standard Bank Group Limited SA, 20%-owned associate of Industrial and Commercial Bank of China Limited.

Notes to the financial statements

for the year ended 31 December 2019

27. Fair values of financial instruments

For the determination of the fair values of financial instruments, the Bank uses the following valuation techniques.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial instruments at fair value through other comprehensive income

Fair values of instruments listed in active markets are based on bid prices at the balance sheet date.

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – quoted prices in active markets for identical assets or liabilities.
Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly.
Level 3 – techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

2019	**Level 1** *$'000*	**Level 2** *$'000*	**Level 3** *$'000*	**Total** *$'000*
Assets				
Derivative financial instruments:				
Foreign Exchange Forwards	-	4,168	-	**4,168**
Interest Rate Swaps	-	13,455	-	**13,455**
Financial investments at FVOCI:				
Government debt securities	-	-	-	-
Other debt securities	391,350	-	-	**391,350**
	391,350	**17,623**	-	**408,973**
Liabilities				
Derivative financial instruments:				
Foreign Exchange Forwards	-	3,998	-	**3,998**
Interest Rate Swaps	-	13,279	-	**13,279**
	-	**17,277**	-	**17,277**

Notes to the financial statements

for the year ended 31 December 2019

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments:				
Foreign Exchange Forwards	-	10,252	-	**10,252**
Interest Rate Swaps	-	2,415	-	**2,415**
Financial investments at FVOCI:				
Government debt securities	-	-	-	-
Other debt securities	393,988	-	-	**393,988**
	393,988	**12,667**	-	**406,655**
Liabilities				
Derivative financial instruments:				
Foreign Exchange Forwards	-	10,478	-	**10,478**
Interest Rate Swaps	-	1,988	-	**1,988**
	-	**12,466**	-	**12,466**

Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost.

The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in the Bank's accounting policies and by balance sheet heading.

2019

	Fair value through profit or loss $'000	Fair value through other comprehensive income $'000	Financial assets and liabilities at amortised cost $'000	Total $'000
Assets				
Cash and balances at central banks	-	-	376,810	**376,810**
Loans and advances to banks	-	-	741,330	**741,330**
Loans and advances to customers	-	-	513,279	**513,279**
Derivative financial instruments	17,623	-	-	**17,623**
Financial Investments at FVOCI	-	391,350	-	**391,350**
Financial investments at amortised cost	-	-	160,762	**160,762**

Notes to the financial statements

for the year ended 31 December 2019

Total assets	**17,623**	**391,350**	**1,792,181**	**2,201,154**
Deposits by banks	-	-	1,380,084	**1,380,084**
Customer accounts	-	-	395,956	**395,956**
Derivative financial instruments	17,277	-	-	**17,277**
Total liabilities	**17,277**	**-**	**1,776,040**	**1,793,317**

2018

	Fair value through profit and loss	Fair value through other comprehensive income	Financial assets and liabilities at amortised cost	Total
	$'000	*$'000*	*$'000*	*$'000*
<u>**Assets**</u>				
Cash and balances at central banks	-	-	10,369	**10,369**
Loans and advances to banks	-	-	900,153	**900,153**
Loans and advances to customers	-	-	809,084	**809,084**
Derivative financial instruments	12,667	-	-	**12,667**
Financial Investments at FVOCI	-	393,988	-	**393,988**
Financial investments at amortised cost	-	-	191,156	**191,156**
Total assets	**12,667**	**393,988**	**1,910,762**	**2,317,417**
<u>**Liabilities**</u>				
Deposits by banks	-	-	1,355,754	**1,355,754**
Customer accounts	-	-	467,426	**467,426**
Derivative financial instruments	12,466	-	-	**12,466**
Subordinated loan	-	-	100,000	**100,000**
Total liabilities	**12,466**	**-**	**1,923,180**	**1,935,646**

Notes to the financial statements

for the year ended 31 December 2019

28. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash balance	70	171
Balance with central bank	376,740	10,198
Balance with other banks	93,476	68,325
	470,286	**78,694**

29. Risk management

The Board has ultimate responsibility for setting the Bank's strategy, risk appetite and control framework; and measures performance against targets. To assist it in discharging these responsibilities, the Board has established a number of sub-committees governed by clear terms of reference. The principal Board-level sub-committees are Audit Committee, Governance and Compliance Committee and Risk Committee. At the Executive-level there are five committees concerned with risk management issues: Executive Committee, Asset and Liability Committee, Credit Committee, Information Technology Steering Committee and Financial Crime Risk Committee.

The Bank has established and maintained an Enterprise-Wide Risk Management framework to ensure that the risks undertaken are managed within the Bank's risk appetite. The principles of risk management include a fine balance of risks and returns, and internal checks and balances with regards to efficiency, risk diversification, and a combination of quantitative and qualitative analysis.

Risk mitigation

The major financial risks faced by the Bank include credit risk, liquidity and funding risk, market risk and operational risk.

Policies and procedures are written in order to maintain consistency with the Bank's approach to the management of these risks. Employees are instructed to operate within the guidelines set out in Bank-wide policies and their own departmental procedures. The Compliance and Legal, Credit Management, and Risk and ALM Departments periodically carry out reviews to assess compliance. The Internal Audit Department, as the third line of defence, undertakes independent, risk-based reviews on the implementation and effectiveness of risk controls.

As part of its Enterprise-Wide Risk Management, the Bank sets limits to control risk exposures. In setting risk limits, the Bank takes all material risks into account, including those arising from off-balance sheet transactions, as well as ensuring these are consistent with the Bank's obligation to maintain the risks within the constraints of both explicit and implicit capital and liquidity regulations.

30. Credit risk

Credit risk exposes the Bank to losses due to financial or other problems experienced by its clients. Credit risk is defined as the risk arising from an obligor's (typically a company, financial institution or issuer of financial instrument) failure to meet the terms of any agreement and obligations. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, whether reflected on-or off-balance sheet. Credit and counterparty risk arises primarily from three types of transactions:

Notes to the financial statements

for the year ended 31 December 2019

- Lending transactions through loans and advances to banks and customers creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them.
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received.
- Trading transactions, giving rise to settlement risk; this refers mainly to short-term trade finance transactions.

Credit risks can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks, sanctions imposed on sovereigns and the impact on the borrower's credit profile due to local economic and political conditions.

Fundamental principles used by the Bank in the management and measurement of credit risk are:

- A clear view of the target market.
- Use of quantitative and qualitative methods to assess counterparty credit worthiness.
- Analysis and monitoring of risks, including concentration risk by asset class, industry, and geography.
- Post-lending management involving monitoring and review of exposures once facilities have been disbursed.

The Bank places great emphasis on credit risk management and recognises it as a key risk, therefore the objective is to avoid and minimise losses. Credit analysis is performed on all new and existing counterparties and related exposures in order to assess each counterparty's risk profile and their ability to repay. Counterparty credit risk is assessed using quantitative and qualitative analysis, as articulated in the Bank's Credit Policy, Credit Management Manual and other documents. Assessment of the clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and on-going stability of income and cash flow streams generated by the clients. The primary assessment method is therefore the ability of the client to meet their payment obligations.

It is the Bank's policy that credit limits for counterparties, with accompanying credit analysis, are reviewed at least annually. Exposures are monitored and controlled against limits set and approved for individual counterparties. The Bank's credit risk policy and risk appetite policy include establishing industry sector limits, country limits and regulatory limits in addition to counterparty limits.

Credit risk grading methodology

The Bank uses both the internal credit rating, developed by Industrial and Commercial Bank of China Limited "the Parent Bank" and the external credit rating of counterparties assessed by the nominated credit rating agencies, namely Standard & Poor's, Moody's and Fitch, in order to analyse credit risks, to classify and monitor assets denoting strengths and weaknesses in the loan portfolio of the Bank. The credit rating also assists in defining the asset quality of the loan portfolio of the Bank and detects any deterioration in the quality of assets and tracks migration of risks.

The internal rating is based on similar concept of probability of default which underpins the external rating agencies' principles. The rating model of the Parent Bank is based on quantitative and qualitative assessment of a corporate customer. The quantitative assessment takes into consideration earnings, profitability, profit margins, EBITDA, interest coverage measures, accounting quality, cash flow and liquidity, capital and debt structure, solvency etc. The qualitative assessment includes industry environment, the entity's market position and competitive strengths and weaknesses, management and corporate governance.

The Master Scale rating model of the Parent Bank is mapped to the external credit rating agencies scales starting with the highest rating of AAA/Aaa to the lowest rating of D (default) with PD (probability of default) range of lower and upper limits and average PD limit for each rating. If a corporate or financial institution has an external rating, the Bank can map the external rating to the Master Scale to classify the asset.

The credit grading system covers both on-and off balance sheet exposures as shown in the tables below in relation to loans to banks, customers and undrawn commitments and guarantees.

Notes to the financial statements

for the year ended 31 December 2019

The Bank does not undertake lending to retail customers and SME's.

Credit quality analysis

The following tables contain an analysis of the credit quality of the financial instruments for which an expected credit loss is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

i. Loans and advances to banks

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Credit grade					
Normal	741,407	-	-	741,407	900,235
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Loss	-	-	-	-	-
Gross carrying amount	**741,407**	-	-	**741,407**	**900,235**
Impairment loss	(77)	-	-	**(77)**	**(82)**
Carrying amount	**741,330**	-	-	**741,330**	**900,153**

ii. Loans and advances to customers

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Credit grade					
Normal	475,547	-	-	475,547	749,453
Special mention	-	40,758	-	40,758	61,746
Substandard	-	-	-	-	-
Loss	-	-	-	-	5,000
Gross carrying amount	**475,547**	**40,758**	-	**516,305**	**816,199**
Impairment loss	(306)	(2,720)	-	(3,026)	(7,115)
Carrying amount	**475,241**	**38,038**	-	**513,279**	**809,084**

Notes to the financial statements

for the year ended 31 December 2019

iii. Financial investments at amortised cost

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Credit grade					
Normal	160,813	-	-	160,813	191,191
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Loss	-	-	-	-	-
Gross carrying amount	**160,813**	-	-	**160,813**	**191,191**
Impairment loss	(51)	-	-	(51)	(35)
Carrying amount	**160,762**	-	-	**160,762**	**191,156**

External credit rating of financial investments at amortised cost

	2019	2018
	$'000	*$'000*
Investment-grade		
AAA to AA-	-	29,896
A+ to A-	105,202	65,015
BBB+ to BBB-	55,611	96,280
Total	**160,813**	**191,191**

iv. Financial investments(bond investments) at FVOCI

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Credit grade					
Normal	391,350	-	-	391,350	393,988
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Loss	-	-	-	-	-
Gross carrying amount	**391,350**	-	-	**391,350**	**393,988**
Impairment loss	**(102)**	-	-	**(102)**	**(72)**

Notes to the financial statements

for the year ended 31 December 2019

External credit rating of financial investments (bond investments) at FVOCI

	2018 *$'000*	2018 *$'000*
Investment-grade		
AAA to AA-	223,565	277,007
A+ to A-	88,752	87,526
BBB+ to BBB-	79,033	29,455
Total	**391,350**	**393,988**

v. Undrawn commitments and guarantees

	2019				2018
	Stage 1 ***$'000***	**Stage 2** ***$'000***	**Stage 3** ***$'000***	**Total** ***$'000***	**Total** ***$'000***
Credit grade					
Normal	129,519	-	-	129,519	289,561
Special mention	-	-	-	-	18,672
Substandard	-	-	-	-	-
Loss	-	-	-	-	-
Gross carrying amount	**129,519**	-	-	**129,519**	**308,233**
Impairment loss	**(24)**	-	-	**(24)**	**(362)**

Purchased or originated credit-impaired financial assets

The purchased or originated credit-impaired financial asset was nil in 2019 (2018: nil).

Impairment of financial assets

The impairment of financial assets is assessed on a periodic basis as per the Bank's impairment policy. The measurement of expected loss will involve increased complexity and judgement including estimation of Probability of Default (PD), Loss Given Default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

The impairment loss is calculated using 12 month PD for the financial assets in Stage 1 and the life time PD is used to calculate for the calculation of impairment for the financial assets in Stage 2 and Stage 3.

The accounting policies 1.8.1.2 (Page 30) outline the detail accounting policies for the impairment of financial assets.

Notes to the financial statements

for the year ended 31 December 2019

Significant increase in credit risk (SICR)

The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort when determining whether the risk of default has increased significantly since the initial recognition.

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.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The magnitude of a movement in PD in order to trigger the SICR varies depending on the PD at the time of initial recognition of the exposure. The PD needs to increase more - both in terms of the percentage and the absolute value - for a highly rated counterparty than for a counterparty rated as a sub-investment grade in order to trigger the SICR.

The Bank defines the following three criteria in its "Watch list" policy in order to determine whether there has been a significant increase in the credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due

Impairment loss

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.
- Impact on the measurement of ECL due to changes in other factors such as:
  - Changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
  - Changes made to models and assumptions;
  - Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis
  - Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Notes to the financial statements

for the year ended 31 December 2019

i. Loans and advances to banks

	2019 Stage 1 12 month ECL $'000	2019 Stage 2 Lifetime ECL $'000	2019 Stage 3 Lifetime ECL $'000	2019 Total ECL $'000	2018 Total ECL $'000
Balance at 1 January	82	-	-	82	236
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	5	-	-	5	9
Financial assets derecognised during the period	(42)	-	-	(42)	(119)
Movement in impairment loss on the existing assets	32	-	-	32	(44)
Balance at 31 December	77	-	-	77	82

ii. Loans and advances to customers

	2019 Stage 1 12 month ECL $'000	2019 Stage 2 Lifetime ECL $'000	2019 Stage 3 Lifetime ECL $'000	2019 Total ECL $'000	2018 Total ECL $'000
Balance at 1 January	1,004	1,111	5,000	7,115	6,860
Transfers:					
Transfer from Stage 1 to Stage 2	-	54	-	54	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	56

Notes to the financial statements

for the year ended 31 December 2019

Financial assets derecognised during the period	(612)	-	-	**(612)**	**(167)**
Financial assets written off	-	-	(5,000)	**(5,000)**	**-**
Movement in impairment loss on the existing assets	(86)	1,555	-	**1,469**	**366**
Balance at 31 December	**306**	**2,720**	**-**	**3,026**	**7,115**

iii. Financial investments at amortised cost

	2019				
	Stage 1 12 month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total ECL**	**2018 Total ECL**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Balance at 1 January	35	-	-	**35**	**8**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	**23**
Financial assets derecognised during the period	(1)	-	-	**(1)**	**-**
Movement in impairment loss on the existing assets	17	-	-	**17**	**4**
Balance at 31 December	**51**	**-**	**-**	**51**	**35**

Notes to the financial statements

for the year ended 31 December 2019

iv. Financial investments at FVOCI

	2019				
	Stage 1 12 month ECL *$'000*	Stage 2 Lifetime ECL *$'000*	Stage 3 Lifetime ECL *$'000*	Total ECL *$'000*	2018 Total ECL *$'000*
Balance at 1 January	72	-	-	72	25
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	8	-	-	8	5
Financial assets derecognised during the period	(1)	-	-	(1)	(4)
Movement in impairment loss on the existing assets	24	-	-	24	46
Balance at 31 December	103	-	-	103	72

v. Undrawn commitments and guarantees

	2019				
	Stage 1 12 month ECL *$'000*	Stage 2 Lifetime ECL *$'000*	Stage 3 Lifetime ECL *$'000*	Total ECL *$'000*	2018 Total ECL *$'000*
Balance at 1 January	62	300	-	362	404
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	4

Notes to the financial statements

for the year ended 31 December 2019

Financial assets derecognised during the period	-	(300)	-	**(300)**	(43)
Movement in impairment loss on the existing assets	(38)	-	-	**(38)**	(3)
Balance at 31 December	**24**	-	-	24	**362**

Collateral held and other credit enhancements

With the exception of commercial real estate, the majority of the Bank's credit exposures are unsecured, including syndicated lending facilities, trade finance and interbank lending. Consequently the Bank has put in place a stringent credit assessment process to consider counterparties' creditworthiness.

Collateral provides additional security and assists recovery of loans in the event of default and the Bank takes collateral whenever it is required. It is a requirement that the valuation of collateral is updated on a regular basis and more so when credit risk deteriorates significantly and the customer is monitored more closely.

The Bank considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal. Credit risk mitigants include any collateral item over which the Bank has a pledge of security, first charge on property, netting agreements, cash, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

Commercial real estate lending activities in the UK are collateralised by first registered mortgages or charges over property being financed. The following characteristics of the property are considered: the type of property, its location, tenant mix, sponsor and the ease with which the property could be re-let and/or re-sold. Commercial real estate lending generally takes the form of good quality property underpinned by strong third party leases. Commercial property valuations will continue to form part of the Bank's on-going focus on collateral assessment. It is the Bank's policy to obtain a formal valuation before advancing funds.

Exposure to the property market is well-diversified with a strong bias towards prime locations and a focus on quality of tenants for commercial assets. Quality of collateral is important but the primary consideration in all commercial real estate deals is debt serviceability, which is stress-tested across various dimensions. Loan-to-value (LTV) ratio, interest cover ratio (ICR) and debt service coverage ratio (DSCR) are the main parameters set to assess risks in commercial real estate lending. All commercial real estate transactions are located in the UK, particularly in London.

The gross maximum exposure to the credit risk of the Bank was $1,940 million as at 31 December 2019 (**2018:** $2,610 million) without taking account of any collateral held or other credit enhancements.

The value of the collateral included in the calculation of the ECL was $349 million in 2019 (2018: $354 million).

Other credit enhancement not included in ECL

The Bank has used other credit enhancements in order to reduce the net credit risk exposure. These credit risk mitigation items are eligible instruments under the Capital Requirement Regulations (CRR).

The Bank has an on-balance sheet netting agreement (Netting Agreement) with its Parent Bank, Industrial and Commercial Bank of China Limited. The on-balance sheet Netting Agreement is an eligible form of credit risk mitigation in accordance with the CRR. The Netting Agreement restricts the netting to the mutual claims between an institution and its counterparty for the same currency on balance sheet loans and deposits, meaning that the Bank is entitled to set-off loans and deposits denominated in the same currencies of the same counterparties. The

Notes to the financial statements

for the year ended 31 December 2019

gross credit exposure to the Parent Bank as at 31 December 2019 was $60.48 million, which was netted against the eligible deposits of $37.32 million leaving a net credit exposure of $23.16 million.

In addition, the Bank has taken collateral in the form of guarantees issued by insurance companies. As at 31 December 2019, the Bank held guarantees worth $6.9 million as an eligible credit risk mitigation as per CRR (2018: $10.4 million).

The Bank does not use credit default swaps (CDS) as a credit risk mitigation technique.

In the Commodity and Structured Finance portfolio, some of the loan transactions are supported by assignment of inventory and receivables and by cash paid into a collection account by the borrowers.

Write-off

The Bank writes off the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the asset (either in its entirety or a portion of it).

The Bank wrote off $5 million of gross carrying amount of financial asset against the impairment allowance in 2019 (2018: Nil).

Regional Exposure

The table below analyses the geographical spread of the gross amount of loans to banks, loans to customers, financial investments and contingent liabilities.

	2019		2018	
	$'000	%	*$'000*	%
Asia and Pacific (including China)	750,894	38.72	830,771	31.83
Europe:				
UK	470,991	24.29	561,202	21.5
Other EU	214,829	11.08	416,394	15.95
Non-EU	24,805	1.28	92,325	3.54
Middle East	34,000	1.75	33,823	1.3
North America	27,729	1.43	35,979	1.38
Africa	192,579	9.93	352,410	13.5
International Organisations*	223,567	11.52	286,942	11
Total regional exposure	**1,939,394**	**100**	**2,609,846**	**100**

* International Organisations comprises multilateral organisations such as Multilateral Development Banks.

Notes to the financial statements

for the year ended 31 December 2019

31. Liquidity and Funding risk

Liquidity risk means the risk that the Bank, although solvent, does not have sufficient available financial resources to enable it to meet its obligations as they fall due. Funding risk means the risk that the Bank does not have sufficient stable sources of funding in the medium and long-term to meet its financial obligations, such as payments or collateral calls, as they fall due, either at all or only at excessive cost.

The Bank identifies, measures, manages and monitors liquidity and funding risks across different time horizons; it conducts liquidity stress testing which is supported by documented policies and procedures; it clearly allocates responsibilities and maintains sound systems to ensure that both the liquidity position and funding profile are at all times consistent with the Risk Appetite Policy approved by the Board.

The table below summarises the maturity profile of the Bank's financial liabilities with respect to its undiscounted cash flows.

2019

$ '000	1 month and less	Over 1 month to 3 Months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Over 5 years	Contractual cash flow	Carrying Amount
Non derivatives liabilities								
Deposits by banks	530,484	-	267,936	-	588,073	-	**1,386,493**	**1,380,084**
Customer accounts	371,332	1,947	16,632	6,334	-	-	**396,245**	**395,956**
Derivative financial liabilities							**-**	**17,277**
Cash inflows	(244,330)	(22,847)	(20,000)	-	(115,848)	-	**(403,025)**	**-**
Cash outflows	244,330	22,847	20,000	-	120,394	-	**407,571**	**-**
	901,816	**1,947**	**284,568**	**6,334**	**592,619**	-	**1,787,284**	**1,793,317**
Undrawn documentary credits	-	-	-	23	663	-	686	686
Undrawn loan commitments	-	-	-	-	128,833	-	**128,833**	**128,833**
	901,816	**1,947**	**284,568**	**6,357**	**722,115**	-	**1,916,803**	**1,922,836**

2018

$ '000	1 month and less	Over 1 month to 3 Months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Over 5 years	Contractual cash flow	Carrying Amount
Non derivatives liabilities								
Deposits by banks	366,404	50,988	503,891	-	444,303	-	**1,365,586**	**1,355,754**
Customer accounts	332,641	53,638	79,609	3,957	-	-	**469,845**	**467,426**
Subordinated loan	-	-	-	-	100,928	-	**100,928**	**100,000**
Derivative financial liabilities							**-**	**12,466**
Cash inflows	(88,980)	(13,068)	-	(8,309)	(114,072)	-	**(224,429)**	**-**
Cash outflows	91,317	15,000	-	10,000	120,394	-	**236,711**	**-**
	701,382	**106,558**	**583,500**	**5,648**	**551,553**	-	**1,948,641**	**1,935,646**

Notes to the financial statements

for the year ended 31 December 2019

Undrawn documentary credits	-	19	-	12,148	661	-	**12,828**	**12,828**
Undrawn loan commitments	-	-	50,000	-	245,405	-	**295,405**	**295,405**
	701,382	**106,577**	**633,500**	**17,796**	**797,619**	-	**2,256,874**	**2,243,879**

At 31 December 2019, the Bank held highly liquid assets, comprising cash balance, balance with Bank of England, bond investments measured at FVOCI and amortised cost, of $766 million. These can be used in the event of any liquidity stress event.

Encumbered assets

The Bank may pledge its assets as collateral to secure liabilities under repurchase agreements or credit-enhance any on-balance-sheet or off-balance-sheet transactions. The Bank pledged $2.94 million as collateral for derivative clearing as at 31 December 2019 (2018: $4.67 million).

32. Market risk

Market risk is defined as the risk of losses arising from movements in market prices. The Bank is exposed to relatively few market risks. The principal market risk is Foreign Exchange (FX) risk arising from both the banking book and the trading book. As the Bank does not undertake proprietary trading and market making, trading book exposure arises from client servicing only. In the banking book, positions arise from interest income, financial and tax expenses and impairment provisions. Potential market risk of position risk arises from trading products: FX forwards, FX swaps and Interest Rate Swaps (IRS). Due to the Bank's back-to-back trading strategy, there is no net material market risk arising from these trading products.

Foreign exchange risk

Throughout 2019, the foreign currency exposure was within limits at all times. As at 31 December 2019, FX overnight exposure was $896k (long) (2018: $595k (long).

FX Sensitivity Analysis

The table below shows the impact on the profit of the Bank due to shifts in the USD exchange rate equally against all other currencies by various basis points as below.

Movement in USD Exchange Rate	**2019 ($)**	**2018 ($)**
USD appreciates 200 basis points	4,743	(8,220)
USD appreciates 400 basis points	9,481	(16,318)
USD appreciates 800 basis points	18,942	(32,171)
USD depreciates 200 basis points	(4,749)	8,351
USD depreciates 400 basis points	(9,503)	16,840
USD depreciates 800 basis points	(19,026)	34,268

Notes to the financial statements

for the year ended 31 December 2019

Monitoring and management of risk

The Bank sets market risk limits to control market risk. These limits are monitored by the Risk and Asset and Liability Management (Risk and ALM) Department, which is independent from the Treasury Department. The Risk and ALM Department submits regular reports to the Bank's Asset and Liability Committee and Risk Committee. These Committees review major market risk indicators and take any necessary decisions. The Risk and ALM Department also submits weekly and monthly reports on foreign currency exposures and trading products to the Parent Bank, which in turn provides the Bank with regular guidance on market risk management.

33. Interest rate risk in the banking book

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The primary form of interest rate risk is re-pricing risk which arises from timing differences in the maturities (for fixed-rate instruments) and re-priced rates (for floating-rate instruments) of the Bank's assets, liabilities and off-balance-sheet positions.

The interest rate re-pricing gap of the Bank at 31 December 2019 is set out below. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

Interest rate sensitivity table

2019

$ '000	Not more than 3 months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Non-Interest bearing	Total
Assets						
Cash balance	-	-	-	-	70	70
Balance at central bank	376,740	-	-	-	-	376,740
Loans and advances to banks	741,330	-	-	-	-	741,330
Loans and advances to customers	513,279	-	-	-	-	513,279
Financial investments at FVOCI	150,245	17,491	79,032	144,582	-	391,350
Financial investments at amortised cost	73,657	-	-	87,105	-	160,762
Fixed and other assets	-	-	-	-	70,552	70,552
Total assets	**1,855,251**	**17,491**	**79,032**	**231,687**	**70,622**	**2,254,083**
Liabilities						
Deposits by banks	1,380,084	-	-	-	-	1,380,084
Customer accounts	373,205	16,483	6,268	-	-	395,956
Other liabilities	-	-	-	-	34,110	34,110
Shareholder's funds	-	-	-	-	443,933	443,933
Total liabilities and Shareholder's funds	**1,753,289**	**16,483**	**6,268**	**-**	**478,043**	**2,254,083**
Interest rate sensitivity gap	**101,962**	**1,008**	**72,764**	**231,687**	**(407,421)**	
Cumulative gap	**101,962**	**102,970**	**175,734**	**407,421**	**-**	**-**

Notes to the financial statements

for the year ended 31 December 2019

The following table shows the sensitivity of the Bank's net interest income (NII) to a reasonably possible change in interest rates, with all other variables held constant. The effect on the NII (and hence on the Profit and Loss Account) is the effect of the assumed changes in interest rates arising from the financial assets and liabilities held at the year-end that are subject to re-pricing within the coming year.

Movement in interest rate	**$'000**
Interest rate increases by 100 basis points	1,080
Interest rate increases by 200 basis points	2,161
Interest rate decreases by 100 basis points	(1,080)
Interest rate decreases by 200 basis points	(2,161)

The interest rate sensitivities set out in the table above are based on simplified scenarios. The projections assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income in the case where some rates change while others remain unchanged.

2018

$ '000	Not more than 3 months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Non-Interest bearing	Total
Assets						
Cash balance	-	-	-	-	171	**171**
Balance at central bank	10,198	-	-	-	-	**10,198**
Loans and advances to banks	865,153	-	35,000	-	-	**900,153**
Loans and advances to customers	804,154	4,930	-	-	-	**809,084**
Financial investments at FVOCI	157,679	-	39,626	196,683	-	**393,988**
Financial investments at amortised cost	94,313	-	9,935	86,908	-	**191,156**
Fixed and other assets	-	-	-	-	69,881	**69,881**
Total assets	**1,931,497**	**4,930**	**84,561**	**283,591**	**70,052**	**2,374,631**
Liabilities						
Deposits by banks	1,355,754	-	-	-	-	**1,355,754**
Customer accounts	384,987	78,532	3,907	-	-	**467,426**
Other liabilities	-	-	-	-	29,014	**29,014**
Subordinated loan	100,000	-	-	-	-	**100,000**
Shareholder's funds	-	-	-	-	422,437	**422,437**
Total liabilities and Shareholder's funds	**1,840,741**	**78,532**	**3,907**	**-**	**451,451**	**2,374,631**
Interest rate sensitivity gap	**90,756**	**(73,602)**	**80,654**	**283,591**	**(381,399)**	
Cumulative gap	**90,756**	**17,154**	**97,808**	**381,399**	**-**	**-**

Notes to the financial statements

for the year ended 31 December 2019

The table below shows projected changes in the 2018 Profit and Loss Account of the Bank arising from a shift in yield curves:

Movement in interest rate	$'000
Interest rate increases by 100 basis points	536
Interest rate increases by 200 basis points	1,071
Interest rate decreases by 100 basis points	(536)
Interest rate decreases by 200 basis points	(1,071)

For each shift in the basis points on its funding rate, the Bank can expect the change in the amount of its Profit and Loss Account as illustrated above. The impact on the re-pricing periods within one year shows a net profit and a net loss respectively to a positive and negative shift in the basis points.

34. Country by country reporting

The following Country by country reporting disclosure is made according to the **Capital Requirements Regulation 2013 (CRR)**:

2019

United Kingdom	Business	Turnover	Average employees	Profit before tax	Corporate Tax paid	Public subsidies received
		$ '000		*$ '000*	*$ '000*	
ICBC (London) plc	Banking	34,958	173	24,300	(4,040)	-

2018

United Kingdom	Business	Turnover	Average employees	Profit before tax	Corporate Tax paid	Public subsidies received
		$ '000		*$ '000*	*$ '000*	
ICBC (London) plc	Banking	42,364	179	30,978	(5,418)	-

The tax on profit for 2019 was 5,318k (**2018**: 5,611k).

Notes to the financial statements

for the year ended 31 December 2019

35. Operational risk (Unaudited)

The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is a pervasive risk that involves all aspects of business as well as other entities with whom the Bank deals. The nature of the Bank's operational risk exposures is considered more likely to consist of 'high-frequency/low-impact' events.

The objectives of operational risk management are not to remove operational risk altogether but to manage and control operational risk in a cost-effective manner consistent with the Bank's risk appetite. The Bank has control systems and procedures in place to ensure that operational losses are minimised. As part of the Bank's risk appetite, an Operational Loss ratio is set, monitored and reported to the Executive Committee and the Board. In 2019, the operational loss was $6k (2018: $5k).

36. Capital

The Bank's policy is to maintain an actively-managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Prudential Regulation Authority in supervising and regulating the Bank.

The primary objective of the Bank's capital management activities is to ensure compliance with internal and external capital requirements. The Bank maintains sufficient capital ratios in order to support its business and to maximise shareholder's value.

The Bank manages and adjusts its capital structure in the light of changes in economic conditions and the risk characteristics of its activities.

Regulatory capital

	2019	2018
	$ '000	*$ '000*
Share capital	200,000	200,000
Retained earnings	243,217	224,235
Other reserves	716	(1,798)
Less: Regulatory adjustments (Unaudited)	(412)	(269)
Tier 1 capital	**443,521**	**422,168**
Subordinated Loan	-	100,000
Amortisation of Subordinated Loan	-	(3,562)
Tier 2 capital	**-**	**96,438**
Total capital	**443,521**	**518,606**

The $100 million Subordinated loan, issued to the Parent Bank, was fully repaid by the Bank in April 2019.

37. Events after the end of the balance sheet date

There is a significant rise in global uncertainty due to the Covid 19 (Coronavirus) pandemic since the beginning of the first quarter of 2020. The economic activities have been slowing down due to an implementation of the lock down measures by many countries including the UK. It has also added challenges on the smooth operations

Notes to the financial statements

for the year ended 31 December 2019

of the Bank. The interest rate and assets price have declined sharply in all major economies. This could impact on the operations and the financial situations of our corporate and institutional clients, depending on the severity and length of the outbreak

However, the impact of the Covid 19 pandemic cannot be quantified at the date of signing of the Balance Sheet.

There has been no adjusting event after the end of the balance sheet date.

ICBC 工银伦敦

ICBC (London) plc
81 King William Street
London EC4N 7BG
United Kingdom
www.icbclondon.com

<u>Appendix to the Board Representation Letter of *ICBC London Plc*: Summary of Uncorrected Audit Misstatement</u>

(will be shared as an attachment to the management representation letter)