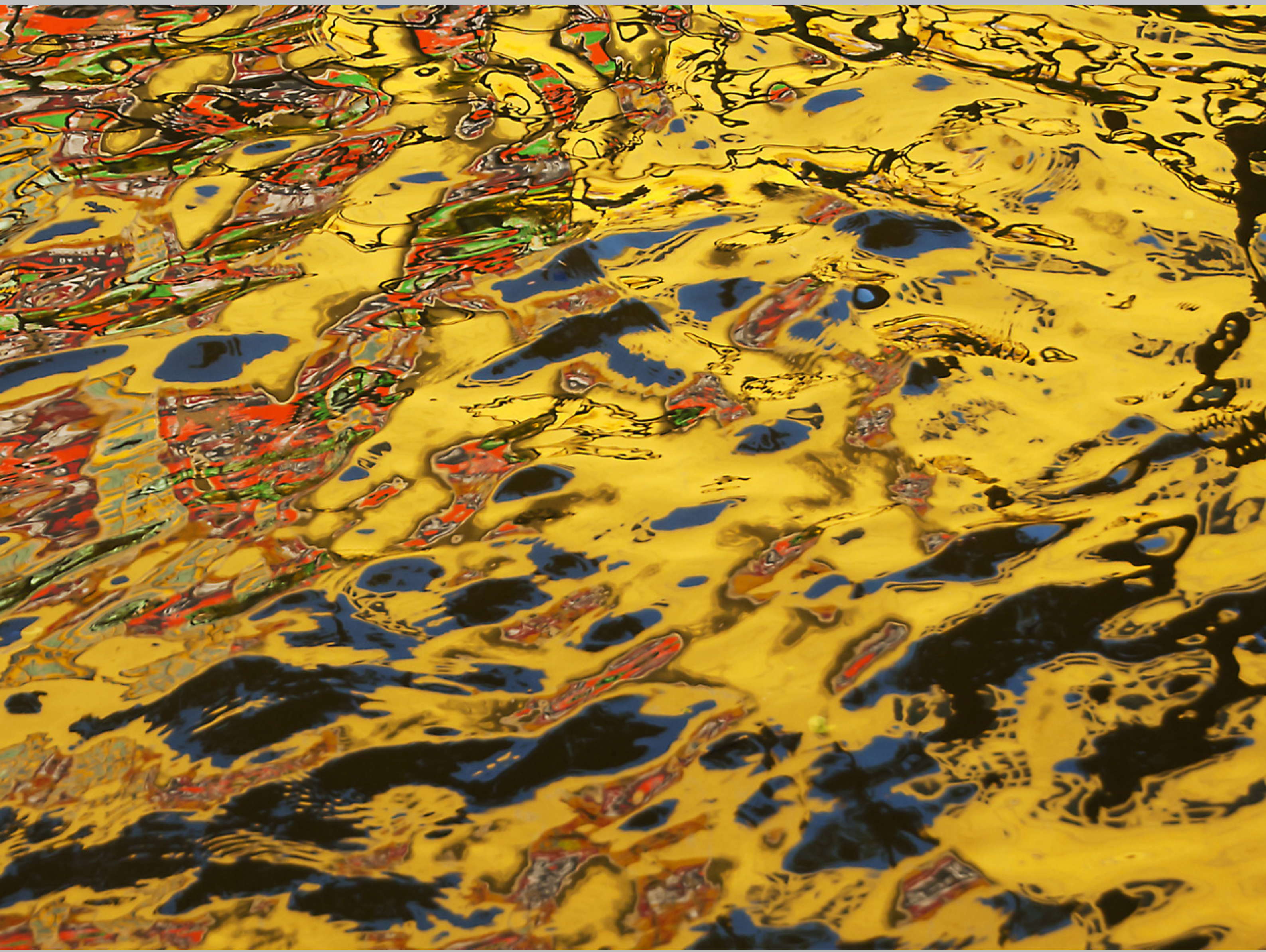
Abridged consolidated results

for the year ended 31 December 2016

ICBC Standard Bank Plc

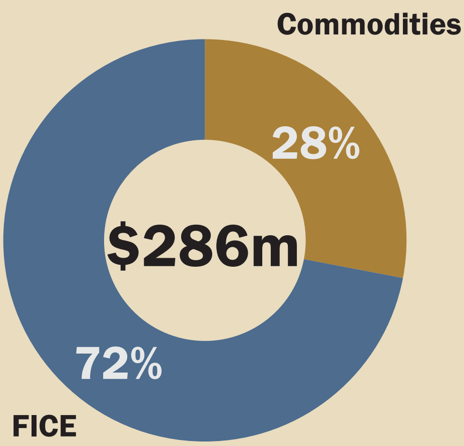


www.icbcstandard.com

ICBC Standard Bank at a glance

ICBC Standard Bank is a London-based global markets business, focusing on commodities, fixed income, currencies and equities products.

Operating revenue for 2016



Offices and number of employees

918

employees for the year

Structure

ICBC → 20% → Standard Bank

World's largest bank by deposits, assets and Tier 1 capital. Rated A1/A

Pre-eminent Africa-focused financial services group

60% → ICBC Standard Bank ← 40%

Our businesses

Commodities, Fixed Income, Currencies & Equities

Credit ratings - ICBC Standard Bank

	Fitch	Moody's
Short Term	F2	P3
Long Term	BBB+	Baa3
Outlook	Stable	Stable

Vision, strategic priorities and values

Our vision

Together, by serving our clients with integrity and excellence, we are building a global leader in Commodities and Financial Markets.

Our operating model

Global markets banking specialist offering Commodities and Fixed Income, Currency and Equities (FICE) products with a focus on emerging and frontier markets.

Our strategic priorities

Leverage the franchise strength of our shareholders

Focus our efforts where we are differentiated

Simplify the business model

Underpinned by our values

Serving our Clients

Upholding the highest levels of Integrity

Commitment to Excellence

Being Open and Transparent

Delivering to Stakeholders

Progress against strategic priorities

- Vaulting and Clearing product launched with purchase of commercial Precious Metals Vault
- Gold clearer and member of London Precious Metals Clearing Limited
- Leveraging ICBC client relationships with notable high value clients on boarded and landmark transactions executed
- China/Africa knowledge generating revenue opportunities
- Improved cost efficiency despite regulatory complexity

Contents

ICBC Standard Bank Plc overview

Introduction

ICBC Standard Bank Plc ('the company') and its subsidiaries (together 'the group') is a leading financial markets and commodities bank, benefiting from its unique Chinese and African parentage, providing a platform to serve the growing demands of Chinese clients for global markets products, while continuing as a distribution platform for African risk.

The group specialises in traded products including commodities, fixed income, currencies and equities, focusing, in particular, on emerging market jurisdictions across Asia, Africa, Central and Eastern Europe, the Middle East and Latin America.

The group is headquartered in London, with operations in Dubai, Hong Kong, Singapore, New York, and Tokyo. The group's representative office in Shanghai is to be closed.

The company is authorised and regulated by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA).

The company has access to major international financial exchanges through its membership of London Metals Exchange, London Stock Exchange and Tokyo Commodities Exchange. In December 2016, the company became the first UK bank to obtain clearing membership on Moscow Exchange's Foreign Exchange Market. It also owns two seats on the New York Mercantile Exchange (Comex division) and a seat on the Shanghai Gold Exchange International Board.

Market conditions

Volatile conditions persisted during 2016 in response to key market events, resulting in widespread uncertainty for much of the year across global financial markets. Subdued commodity and oil prices, coupled with uncertain economic and geopolitical conditions, created a challenging operating environment for the group, most notably at the start of the year, with conditions markedly improved in the second half of the year.

The first half of the year was dominated by anticipation surrounding the UK referendum on EU membership held on 23 June 2016. The decision to leave the EU had widespread impact across UK and EU markets, with the pound falling significantly against the US dollar. The effect on rates markets was also significant with 10-year German government bonds falling to a record low negative yield as demand for defensive instruments surged. Despite the initial impact, most markets recovered quickly and organisations now wait to learn the practicalities of an anticipated exit in 2019.

The lead up to the US presidential election in November also caused uncertainty, with the outcome sending initial shocks through the markets, albeit followed by a prompt recovery. Despite the market volatility, and reflecting a more robust US and global economy as the year came to an end, the Federal Reserve moved to raise rates by 25 basis points at its December meeting.

Gold markets rallied early in the year in response to investor demand across Europe and the US, while base and other precious metals fluctuated in line with shifts in macro-economic sentiment. Concerns over China's slowing economic growth saw prices remain at multi-year lows across copper, nickel, lead, tin and oil for much of the year, negatively impacting many commodity producing nations. Prices began to recover toward the end of the year, reflecting the more robust economic environment and showed positive momentum going into 2017.

Financial results

The group's results for the year are shown in the consolidated income statement on page 7.

The loss attributable to shareholders in 2016 of US$98.8 million compares favourably to a loss of US$267.7 million in the prior year.

The difficult market conditions experienced in 2015 continued into early 2016, particularly in commodities which experienced further reductions in prices and volumes in the early part of the year in many product types. However, market conditions improved as the year progressed with increased volumes and client activity contributing to improved performance, with the FICE business performing particularly strongly. The improved revenue performance was further supported by integration benefits arising from business opportunities with ICBC and its clients. A reduction in Treasury losses, driven by the utilisation of cheaper funding sources and more efficient management of surplus liquidity, also contributed to the group's improved revenue performance.

Operating expenses of US$382.9 million were lower than the prior year costs of US$386.1 million. The decrease is due primarily to savings achieved in other operating expenses as a result of various cost reduction initiatives executed during the year while increasing investment in business development.

Total assets at year-end were US$20,223.6 million, broadly consistent with prior year (US$20,137.5 million). However, there were changes in the asset mix, with increases in collateralised client lending, assets held as part of the liquid asset portfolio and increased metal stock holdings offset by reduced cash placements held with the Bank of England and reductions in derivative financial assets and trading assets.

Capital resources

At the end of the reporting period, the group's equity capital resources amounted to US$956.9 million (2015: US$1,075.0 million) and total capital resources qualifying for prudential purposes amounted to US$1,227.3 million (2015: US$1,449.6 million). The group remains well-capitalised, with a total capital adequacy ratio of 19.3% (2015: 19.1%), a tier 1 ratio of 14.6% (2015: 13.9%) and risk weighted assets of US$6,362.8 million (2015: US$7,579.7 million).

The group's leverage ratio, which measures tier 1 capital to a defined measure of on-balance sheet assets and off-balance sheet items, was 4.7% at 31 December 2016 (2015: 5.4%). A minimum leverage ratio of 3% is expected to be applied by the PRA from 2019.

On 13 January 2017, the group received further capital of US$265.0 million from its shareholders, in accordance with the capital plans forming part of the group's strategic planning process. The additional capital is intended to replenish the capital base and ensure that the group can meet its growth and profitability objectives in 2017. The total capital adequacy ratio and tier 1 ratio would be 23.7% and 19.0%, including the benefit of the new capital.

Key financial results, ratios and statistics

Income statement	**December 2016 $m Audited**	December 2015 $m Audited
Operating income	**285.9**	173.1
Operating expenses from continuing operations	**(382.9)**	(386.1)
Loss attributable to equity shareholders	**(98.8)**	(267.7)
Balance sheet		
Ordinary shareholders' equity	**959.9**	1,075.0
Total assets	**20,223.6**	20,137.5
Capital adequacy		
Risk-weighted assets	**6,362.8**	7,579.7
Common equity tier 1	**928.6**	1,051.0
Common equity tier 1 capital adequacy ratio (%)	**14.6**	13.9
Total capital adequacy ratio (%)	**19.3**	19.1
Adjusted common equity tier 1 capital adequacy ratio (%)[2]	**19.0**	N/a
Adjusted total capital adequacy ratio (%)[2]	**23.7**	N/a

1 Represents commodity balances within other assets.
2 Adjusted for the issue of share capital on 13 January 2017.

Consolidated balance sheet

at 31 December 2016

Assets	December 2016 $m Audited	December 2015 $m Audited
Cash and balances with central banks	**1,174.3**	3,254.2
Due from banks and other financial institutions	**1,842.3**	1,510.9
Financial assets held for trading	**970.5**	2,443.9
Financial assets designated at fair value through profit or loss	**1,339.2**	7.9
Derivative financial assets	**4,715.0**	6,223.0
Reverse repurchase agreements	**3,601.1**	2,684.5
Loans and advances to customers	**855.3**	427.1
Financial investments	**1,300.7**	105.3
Property and equipment	**22.6**	21.1
Current tax assets	**0.4**	1.1
Deferred tax assets	**1.4**	3.0
Other assets	**4,400.8**	3,455.5
Total assets	**20,223.6**	20,137.5
Liabilities and equity		
Liabilities	**19,266.7**	19,062.5
Financial liabilities held for trading	**781.7**	984.3
Financial liabilities designated at fair value through profit or loss	**1,313.3**	-
Derivative financial liabilities	**4,849.3**	5,926.3
Due to banks and other financial institutions	**8,022.7**	10,259.2
Repurchase agreements	**2,097.7**	361.4
Certificates of deposit	**63.3**	97.4
Due to customers	**519.3**	573.4
Current tax liabilities	**0.5**	-
Subordinated debt	**529.2**	682.9
Other liabilities	**1,089.7**	177.6
Equity		
Equity attributable to ordinary shareholders	**959.9**	1,075.0
Share capital	**1,083.5**	1,083.5
Ordinary share premium	**731.0**	731.0
Reserves	**(857.6)**	(739.5)
Total liabilities and equity	**20,223.6**	20,137.5

- No change in total balance sheet but changes in components.
- Decrease of US$2.1 billion in cash and balances with central banks due to reduced placement of liquid asset holdings with the Bank of England.
- Decrease of US$1.5 billion in financial assets held for trading, offset by an increase of US$1.2 billion in financial investments, due to liquid assets now being included within financial investments.
- Increase in financial assets designated at fair value and reverse repurchase agreements, owing to new collateralised lending transactions.
- Associated increases in financial liabilities designated at fair value and repurchase agreements.
- Increases in commodity balances within other assets and other liabilities due to the new precious metal clearing and vaulting business.

Consolidated income statement

for the year ended 31 December 2016

	December 2016 $m Audited	December 2015 $m Audited
Net interest income / (expense)	**36.1**	(3.7)
Interest income	**90.2**	57.3
Interest expense	**(54.1)**	(61.0)
Non-interest revenue	**250.1**	176.4
Net fees and commission	**17.7**	18.6
Fees and commission income	**19.3**	20.2
Fees and commission expense	**(1.6)**	(1.6)
Trading revenue	**215.9**	107.3
Net gain on financial assets and liabilities at fair value through profit or loss	**19.0**	-
(Loss) / recovery on commodity reverse repurchase agreements	**(2.5)**	50.5
Total operating income	**286.2**	172.7
Credit impairment (charges) / recoveries	**(0.3)**	0.4
Income after impairments	**285.9**	173.1
Operating expenses	**(382.9)**	(386.1)
Staff costs	**(251.8)**	(229.1)
Other operating expenses	**(124.6)**	(152.2)
Indirect taxation	**(6.5)**	(4.8)
Loss before taxation	**(97.0)**	(213.0)
Income tax charge	**(1.8)**	(19.8)
Loss for the period from continuing operations	**(98.8)**	(232.8)
Discontinued operations	**-**	(34.9)
Loss attributable to equity shareholders	**(98.8)**	(267.7)

- Improved revenue performance, notably within the FICE business.
- Lower operating expenses achieved while making strategic investment in front office headcount.
- Insurance recovery from commodity reverse repurchase agreements of US$50.5 million included in 2015 revenue.
- Prior year income tax charge due to deferred tax write-off.
- Discontinued operations charge in the previous year relates to legacy business prior to the change in control.

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	December 2016 $m Audited	December 2015 $m Audited
Loss attributable to equity shareholders	**(98.8)**	(267.7)
Items that may be subsequently reclassified to profit or loss[1]		
Foreign currency translation reserve	**(5.2)**	(3.7)
Cash flow hedging reserve[2]	**(13.6)**	(8.7)
Effective portion of changes in fair value	**(29.6)**	(13.0)
Net amount transferred to profit or loss	**16.0**	4.3
Changes in fair value of available-for-sale assets	**(0.5)**	(0.9)
Total comprehensive loss attributable to equity shareholders	**(118.1)**	(281.0)

1 Amounts are presented net after tax
2 Movements relate to continuing operations for both periods

- The cash flow hedging reserve movement of US$13.6 million is due to the GBP weakness versus USD following the UK's vote to leave the European Union.

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Ordinary share capital and share premium[1] $m Audited	Cash flow hedging reserve $m Audited	Available-for-sale reserve $m Audited	Foreign currency translation reserve $m Audited	Retained earnings[2] $m Audited	Total equity $m Audited
Balance at 1 January 2015	1,514.5	0.3	2.4	6.8	(508.9)	1,015.1
Total comprehensive loss for the year	-	(8.7)	(0.9)	(3.7)	(267.7)	(281.0)
Equity contribution under indemnity claim[3]	-	-	-	-	40.9	40.9
Shares issued including share premium	300.0	-	-	-	-	300.0
Balance at 31 December 2015	1,814.5	(8.4)	1.5	3.1	(735.7)	1,075.0
Balance at 1 January 2016	**1,814.5**	**(8.4)**	**1.5**	**3.1**	**(735.7)**	**1,075.0**
Total comprehensive loss for the year	**-**	**(13.6)**	**(0.5)**	**(5.2)**	**(98.8)**	**(118.1)**
Balance at 31 December 2016	**1,814.5**	**(22.0)**	**1.0**	**2.1**	**(834.5)**	**956.9**

1 On 29 January 2015, the company issued an additional two ordinary shares of US$1 each to Standard Bank London Holdings Limited, at a share premium of US$150 million per share.

2 Retained earnings include the equity contribution under indemnity claim.

3 The indemnity claim has been reflected as a capital contribution as this is a result of a transaction with SBG (shareholder with significant influence). This claim reimbursed the group for costs incurred in connection with a historic transaction.

Accounting policies

The financial results and financial position set out on pages 6 to 9 are extracts from the financial statements in the group's consolidated annual report for the year ended 31 December 2016. The group's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the going concern principle. The group's financial statements have been prepared on the historical cost basis except as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. The accounting policies are consistent with those adopted in the previous year.

Financial instruments measured at fair value

The tables that follow analyse financial instruments carried at fair value at the end of the reporting period by valuation methodology (fair value hierarchy). Fair values are classified into levels 1, 2 or 3, depending on the extent to which quoted prices are used in the calculation of the fair value of financial instruments, with the levels defined as follows:

Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets that the group can access at the measurement date.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

2016	**Composition %**	**Asset $m**	**Composition %**	**Liability $m**
Level 1	**26.7**	**2,219.5**	**11.5**	**802.4**
Level 2	**72.4**	**6,029.0**	**81.5**	**5,656.5**
Level 3	**0.9**	**76.9**	**7.0**	**485.4**
Financial instruments at fair value	**100.0**	**8,325.4**	**100.0**	**6,944.3**
Reconciled as follows:				
Available-for-sale		**1,300.7**		**-**
Held for trading		**5,685.5**		**5,631.0**
Designated at fair value		**1,339.2**		**1,313.3**
		8,325.4		**6,944.3**
2015				
Level 1	26.3	2,306.9	14.4	1,001.6
Level 2	72.3	6,350.2	76.8	5,304.2
Level 3	1.4	123.0	8.8	604.8
Financial instruments at fair value	100.0	8,780.1	100.0	6,910.6
Reconciled as follows:				
Available-for-sale		105.3		-
Held for trading		8,666.9		6,910.6
Designated at fair value		7.9		-
		8,780.1		6,910.6

Credit quality

The table that follows shows the maximum credit risk exposure of the group in the event of other parties failing to perform on their obligations before taking account of any collateral held or other credit enhancements.

	Performing		Non-performing			Gross credit exposure
	Neither past due nor impaired		Past due but not specifically impaired		Specifically impaired	
	Normal monitoring[1]	Close monitoring[1]	< 90 days	>= 90 days		
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Financial assets designated at fair value through profit or loss	**1,331.4**	**-**	**-**	**-**	**-**	**1,331.4**
Derivative financial assets	**4,715.0**	**-**	**-**	**-**	**-**	**4,715.0**
Due from banks and other financial institutions	**1,838.8**	**3.5**	**-**	**-**	**-**	**1,842.3**
Reverse repurchase agreements	**3,558.3**	**42.8**	**-**	**-**	**-**	**3,601.1**
Loans and advances to customers	**743.7**	**118.2**	**-**	**-**	**-**	**861.9**
Gross loans and advances & derivative financial assets	**12,187.2**	**164.5**	**-**	**-**	**-**	**12,351.7**
2015						
Derivative financial assets	6,198.2	24.8	-	-	-	6,223.0
Due from banks and other financial institutions	1,510.4	0.5	-	-	-	1,510.9
Reverse repurchase agreements	2,684.5	-	-	-	-	2,684.5
Loans and advances to customers	346.3	87.1	-	-	-	433.4
Gross loans and advances & derivative financial assets	10,739.4	112.4	-	-	-	10,851.8

[1] Normal and close monitoring exposures within this category are exposures rated 1 to 21 (AAA to B-) and 22 to 25 (CCC+ to CCC-) respectively on the group's master rating scale.

Deposits

Due to banks and other financial institutions

	2016 $m Audited	2015 $m Audited
Due to banks	**7,739.5**	9,972.6
Other financial institutions	**283.2**	286.6
	8,022.7	10,259.2

Repurchase agreements

	2016 $m Audited	2015 $m Audited
Banks and other financial institutions	**2,097.7**	361.4
	2,097.7	361.4

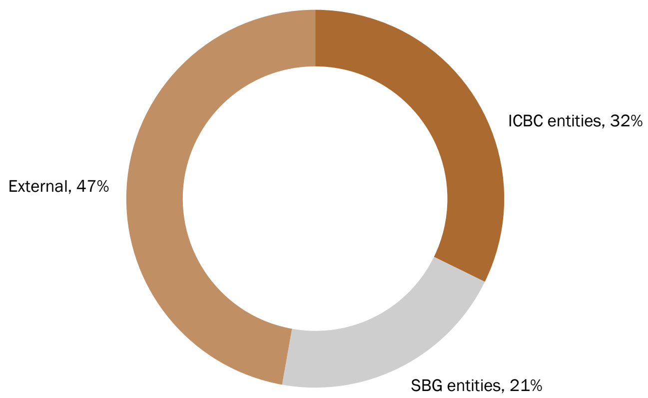
Certificates of deposit

	2016 $m Audited	2015 $m Audited
Commercial paper	**63.3**	97.4
	63.3	97.4

Due to customers

	2016 $m Audited	2015 $m Audited
Call deposits	**355.7**	366.3
Term deposits	**163.6**	207.1
	519.3	573.4

Deposit providers



Value at risk

Analysis of trading book market risk exposures

The table below shows the aggregated historical VaR for the group's trading positions. The maximum (and minimum) VaR amounts show the bands in which the values at risk fluctuated during the year. Stop loss triggers are used to contain losses for individual business units by enforcing management intervention at predetermined loss levels. Other risk measures specific to individual business units are also used. These include permissible instruments, concentration of exposures, gap limits and maximum tenor.

The group's trading units achieved a positive actual income for over 74% of the trading days in 2016 (2015: 68%). The average daily trading revenue earned in 2016 was US$1.0 million (2015: US$0.7 million), with a standard deviation of US$1.9 million (2015: US$1.8 million). During the year, there were no back-testing exceptions at a 99% confidence level.

	Normal VaR[2]			
	Maximum[1]	**Minimum[1]**	**Average**	**Year end**
2016	**$m**	**$m**	**$m**	**$m**
Commodities	**2.9**	**1.0**	**1.7**	**1.7**
Foreign exchange	**1.2**	**0.6**	**0.9**	**0.9**
Equities	**0.5**	**0.1**	**0.3**	**0.4**
Debt securities	**2.8**	**1.5**	**2.1**	**2.6**
Diversification benefit[4]				**(1.9)**
Total				**3.7**

	Stress VaR[3] Year end
2016	**$m**
Commodities	**6.5**
Foreign exchange	**2.8**
Equities	**1.7**
Debt securities	**19.4**
Diversification benefit[4]	**(6.8)**
Total	**23.6**

	Normal VaR[2]			
	Maximum[1]	Minimum[1]	Average	Year end
2015	$m	$m	$m	$m
Commodities	2.4	0.8	1.3	1.7
Foreign exchange	2.1	0.4	0.9	1.1
Equities	0.6	-	0.2	0.1
Debt securities	3.7	1.3	2.6	2.5
Diversification benefit[4]				(2.1)
Total				3.3

	Stress VaR[3] Year end
2015	$m
Commodities	8.5
Foreign exchange	5.4
Equities	2.5
Debt securities	15.9
Diversification benefit[4]	(0.9)
Total	31.4

1 The maximum (and minimum) VaR figures reported for each market variable did not necessarily occur on the same days. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may have occurred on different dates.
2 Normal VaR is based on a holding period of one day and a confidence interval of 95%.
3 Stress VaR is based on a holding period of 10 days and a confidence interval of 99%.
4 Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, i.e. the difference between the sum of the individual VaRs and measuring the VaR of the whole trading portfolio.

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