ICBC Standard Bank

Consolidated Annual Report

for the year ended 31 December 2015

ICBC Standard Bank Plc

(formerly Standard Bank Plc)

www.icbcstandard.com

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The directors present their strategic report for the year ended 31 December 2015 for ICBC Standard Bank Plc (the company) and its subsidiaries (together the group)

Strategic report

Change in control

01.02.15

The transaction completed on 01 February 2015 and the company was rebranded ICBC Standard Bank Plc

Standard Bank London Holdings Limited (SBLH), a wholly-owned subsidiary of Standard Bank Group (SBG), entered into a sale and purchase agreement (SPA) on 29 January 2014 under the terms of which Industrial and Commercial Bank of China Limited (ICBC) agreed to acquire a controlling interest of 60% in SBG's London-based Global Markets business, focusing on commodities, fixed income, currencies, credit and equities products. The transaction completed on 1 February 2015 and the company was subsequently rebranded as ICBC Standard Bank Plc (ICBCS). As the company is the primary legal entity used by the Global Markets business, ICBC acquired 60% of the company, and other international subsidiary companies, from SBLH for a cash consideration.

The completion of the transaction required a number of restructuring steps to be undertaken to reconstitute the group to include subsidiaries and operations in the United States and Singapore. The New York-based subsidiaries were acquired by the company on 31 July 2014 and the Singapore-based operations were transferred to the company's Singapore branch with effect from 1 August 2014.

All activities that were previously performed by the group which do not form part of the Global Markets business were removed from the group on, or before, 31 December 2014. These activities included Investment Banking, Transactional Products and Services (TPS), Principal Investment Management (PIM), Personal and Business Banking International (PBB) and the Services Unit, which provide key skills and services to SBG, and together are termed the 'excluded business'.

Following the announcement of change in control, the financial statements have been prepared to reflect the appropriate division between continuing and discontinued businesses. The discontinued operations' results are included in the income statement. Given that the excluded business' assets and liabilities were transferred on, or before, 31 December 2014 to SBG, these are not included in the comparative year's balance sheet.

60/40

ICBC and SBLH hold 60% and 40% respectively of the issued share capital of ICBCS

ICBC and SBLH (a wholly-owned subsidiary of SBG) hold 60% and 40% respectively of the issued share capital of ICBCS.

ICBC Group profile

Industrial and Commercial Bank of China Limited, formerly known as Industrial and Commercial Bank of China, was established on 1 January 1984. On 28 October 2005, ICBC was wholly restructured to a joint-stock limited company. On 27 October 2006, ICBC was listed on both Shanghai and Hong Kong exchanges and has developed into one of the largest listed banks in the world, possessing a significant customer base, a diversified business structure, strong innovation capabilities and market competitiveness. ICBC has a presence on six continents and its overseas network has expanded to 42 countries and regions.

ICBC provides a comprehensive suite of financial products and services to over 5 million corporate customers and over 480 million personal customers through its distribution channels. These channels consist of domestic institutions, overseas institutions and correspondent banks worldwide, as well as the e-banking network comprising a range of internet and telephone banking services and self-service banking centres. These form a diversified and international operating structure focusing on commercial banking business while maintaining a leading position in its domestic market.

Standard Bank Group profile

Standard Bank Group Limited, listed on the Johannesburg Stock Exchange, is the ultimate holding company for the global activities of SBG. SBG is one of Africa's leading banking and financial services organisations. In 2007, SBG entered into a major strategic partnership with ICBC which resulted in ICBC becoming a 20% shareholder in SBG.

SBG operates within three key business segments: Personal & Business Banking (PBB), Corporate & Investment Banking (CIB) and Investment Management & Life Insurance. These global business segments operate across South Africa, Africa and selected international locations outside of Africa. The company was the main subsidiary outside Africa and formed part of SBG's CIB business segment until February 2015.

Principal activities

PRA & FCA

We are authorised and regulated by the Prudential Regulation Authority and regulated by the Financial Conduct Authority

The company is authorised and regulated by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA), providing a range of banking and related financial services.

It is a member of the London Stock Exchange, the London Bullion Market Association, the London Metal Exchange, the London Platinum and Palladium Market, the Tokyo Commodity Exchange and the Shanghai Gold Exchange. The company has two seats on the New York Mercantile Exchange (Comex division).

The franchise of the group focuses on jurisdictions across Asia and Africa in a number of products, including debt, interest rate, equity, currency, and commodity products.

Continuing product areas

Global Markets business

The Global Markets business transacts customer-driven, market-making and sales activities across the full spectrum of traded financial and commodity risk. The business seeks to originate exposures directly from clients or market-making activities, which are repackaged and traded with market participants, asset managers and other clients through the group's distribution network.

The partnership between ICBC and SBG expands the strategic emphasis of the Global Markets business to serve the increasing demands for commodities, hedging and capital market capabilities from Chinese clients and internationalisation of the Chinese Renminbi. The business will utilise its established infrastructure platform, mature business model and industrial expertise to serve ICBC and SBG's clients' needs in global commodities and financial markets products.

The Global Markets business is structured across two business units: Commodities and Fixed Income, Currencies and Equities (FICE).

Commodities

The Commodities business unit provides trading, sales and structuring expertise and has global presence across Base Metals, Precious Metals, Bulk and Oil.

The division's expertise extends to the management and financing of physical commodity inventories across all asset classes.

FICE

A comprehensive range of foreign exchange, money markets, interest rate, credit and equity products are provided, ranging from simple risk management tools to structured products. The business unit is emerging markets-focused, covering all major African, Asian, Central and Eastern European, Middle Eastern, Central Asian (CEEMECA) and Latin American currencies.

Discontinued product areas

The excluded business activities are regarded as discontinued operations as they comprised separate operating segments. The discontinued operating segments were Investment Banking, Transactional Products and Services, Principal Investment Management and Private Client Services. The discontinued operations' results are included in the income statement. In preparation for the change in control, these operating segments were discontinued and the associated assets and liabilities transferred to SBG in 2014.

Market conditions

The volatility seen at the end of 2014 persisted throughout 2015, making it an extremely challenging trading year for ICBCS.

The year was dominated by uncertainty caused by United States Federal Reserve (Federal Reserve) policy regarding interest rates. In the early part of the year, the Federal Reserve put the market on alert that it intended to lift interest rates – the first tightening cycle in over a decade. With the timing of this rate rise unclear, the markets remained uncertain throughout 2015. The anticipated rate rise eventually occurred in December, although it was clear that this was against a backdrop of significant underlying weakness across global economies. Emerging markets (EM) were particularly weak due to a perception that corporate borrowers in EM countries have accumulated vast amounts of foreign currency debt in the seven years of zero Federal Reserve policy rates. A US rate rise is expected to expose those EM US dollar borrowers who have not adequately hedged their interest rate and currency exposures.

0.25% - 0.50%

The year was dominated by uncertainty caused by the United Stated Federal Reserve policy regarding interest rates

The second economic theme for 2015 was the weakness seen across commodities. Partly driven by the economic slowdown in China, prices are at multi-year lows across copper, nickel, lead, tin and oil. This further impacts commodity producing nations who tend to be within emerging markets. The last time commodity prices were at these levels was in the midst of the global financial crisis but, in contrast, with equity prices which are higher than during the crisis.

China was the source of further volatility in the financial markets as the People's Bank of China took action to devalue the Renminbi by nearly 2% in August. This drove Asian currencies down, particularly given that China had been seen as the one country that had not joined in the global currency (devaluation) wars of recent years.

On the positive side, Greece, which has been the source of significant market tension in the past, was granted a third bailout. This was something that did not always seem likely following the elections at the start of the year. But, while this might have reduced the strains on the global financial markets, it clearly did not make up for the anxiety caused by China's slowdown or fears of rate rises from the Federal Reserve.

Performance

The revenue performance in 2015 was behind expectations. This was driven by a collapse in commodity prices, general market uncertainty and volatility in the group's traditional markets. The slower than anticipated integration with the ICBC client franchise following the completion of the change in control further compounded the challenges to the revenue performance.

Commodities

Commodities revenues of US$54.8 million (2014: US$90.9 million) were 40% lower than the prior year.

36%

Many commodity prices are at multi-year lows and there are few signs of an imminent improvement in the markets

Commodity revenues were impacted by severely challenging market conditions which reduced client activity in both base and precious metals. Many commodity prices are at multi-year lows and there are few signs of an imminent improvement in the markets. This is illustrated by the decrease of 36% in the Dow Jones Commodity index since 2014.

The underperformance in revenue was largely driven by Base Metals as the business line and broader market continued to digest and adjust following losses arising in 2014 related to metal warehouses in China. The base metal financing activity was particularly impacted but started to expand business in the latter half of the year following deals with large strategic clients.

Precious Metals fared better but revenues were still depressed. While the business conducted with ICBC has been encouraging, low physical premiums and financing margins, as well as continued depressed prices, have curtailed revenue growth.

The oil financing product suite was developed and launched during 2015 and supports the business strategy to meet the needs of large Chinese state-owned enterprises. A number of transactions closed in the second half of 2015 and, while not material in revenue terms, do provide a key component of the business model in future years.

FICE

The fixed interest, currency and equity businesses experienced a mixed performance across asset classes. Overall FICE revenues of US$67.7 million (2014: US$34.5 million) were 96% higher than the prior year.

The market conditions were challenging with extreme volatility in the second half of the year driven by concerns around China growth resulting in financing activities at lower levels than the previous year. The prior year was impacted by a weak final quarter, particularly in some key markets in oil producing countries, notably Russia and Nigeria.

The group included a Funding Valuation Adjustment in respect of the valuation of derivatives to reflect the estimated present value of the future market funding costs or benefits associated with funding uncollateralised derivative exposures, with a positive impact to revenues of US$17.6 million in 2015.

Strategic opportunities

There were a number of transactions closed which validate the strategic opportunity with ICBC

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Discontinued operations

The discontinued operations loss was US$34.9 million compared to a loss of US$6.8 million in 2014.

Penalties and compensation of US$36.5 million have been included in operating costs along with legal and professional fees incurred of US$4.4 million, a total of US$40.9 million. These costs relate to a historic Debt Capital Markets transaction which formed part of the Investment Banking business that was transferred to SBG (the excluded business).

ICBCS entered into a Deferred Prosecution Agreement (DPA) with the United Kingdom's Serious Fraud Office (SFO) following a judgement delivered by the High Court of England and Wales on 30 November 2015. A DPA is a voluntary agreement through which a prosecutor agrees to suspend a prosecution in exchange for the defendant agreeing to fulfil certain requirements.

This DPA relates to allegations that the bank failed, contrary to section 7 of the UK Bribery Act 2010, to prevent two senior executives of Stanbic Bank Tanzania (Stanbic) engaging a local partner with the intent that the engagement would induce Tanzanian government representatives in acting partially in awarding a capital raising mandate to the bank and Stanbic. The bank also agreed with the United States Securities and Exchange Commission (SEC) to resolve a claim that the bank acted negligently and did not disclose to US investors the involvement of the local partner in this capital-raising mandate.

Financial results

The group's results for the year are shown in the consolidated income statement on page 32 and key performance indicators are discussed within this report. The financial statements have been prepared to reflect separately the continuing business and the discontinued operations.

The loss attributable to shareholders of US$267.7 million (2014: US$344.6 million loss) is a consequence of a loss of US$232.8 million (2014: US$337.8 million loss) from continuing Global Markets operations, and a loss of US$34.9 million (2014: US$6.8 million loss) from discontinued operations comprising Investment Banking, TPS, PIM and the Services Unit.

Challenging conditions

Reduced trading revenues reflect the challenging market conditions and slower than anticipated integration benefits

Continuing operations returned a reduced loss primarily due to a partial recovery of US$50.5 million made on the valuation adjustment against a commodity reverse repurchase exposure, associated with metal warehouses in China, raised in the prior year. Reduced trading revenues reflect the challenging market conditions and slower than anticipated integration benefits arising from business opportunities following the change in control.

Operating expenses increased by US$70.8 million (22%) to US$386.1 million. The increase is due primarily to costs related to the New York subsidiary and Singapore branch activities included for the full year, as well as all central corporate costs now being carried by the Global Markets business.

Notwithstanding the future business opportunities that are associated with the successful completion of the change in control, the deferred tax asset previously recognised by the company has been derecognised, resulting in a tax charge of US$20.0 million, due to the historic performance of ICBCS and the current challenging global economic conditions, particularly in key markets. Similarly, no tax relief against the current year loss in the UK has been recognised.

Discontinued operations recorded a loss of US$34.9 million compared to a loss of US$6.8 million in the prior year, largely due to costs of settlement of the DPA associated with a legacy Investment Banking transaction.

Total assets were reported as US$20,137.5 million compared to US$19,605.4 million in the prior year. The increase is primarily attributable to higher cash placements held with the Bank of England.

Capital resources

19.1%

The prudential consolidation group remains well capitalised, with a total capital adequacy ratio of 19.1%

At the end of the reporting period, the group's equity capital resources amounted to US$1,075.0 million (2014: US$1,015.1 million) and total capital resources qualifying for prudential purposes amounted to US$1,449.6 million (2014: US$1,579.2 million). The group remains well-capitalised, with a total capital adequacy ratio of 19.1% (2014: 20.4%), a tier 1 ratio of 13.9% (2014: 12.4%) and risk weighted assets of US$7,579.7 million (2014: US$7,741.3 million). The capital position was strengthened in January 2015 with an additional capital contribution from SBLH of US$300.0 million which supports planned business growth.

As noted in the directors' report, SBG's undertaking of support remained until transaction completion on 1 February 2015, at which time ICBC arrangements in favour of the group, substantively similar to the SBG support letter, came into effect.

The group's leverage ratio, which measures tier 1 capital to balance sheet exposures, was 5.4% at 31 December 2015, and the group has incorporated this measure in the capital planning process. The ratio is reported to the PRA and becomes effective in 2018.

Permission was received from the PRA to redeem US$137.9 million of externally held perpetual subordinated debt during 2015. In accordance with the regulatory rules, these instruments were removed from capital resources and not included in the year end prudential capital position. The instruments were repurchased and cancelled in January 2016.

Liquidity

The group maintained a strong liquidity profile through the year and liquidity buffers were comfortably above the minimum requirements at year end.

The current and prospective funding requirements for all operations are reviewed on an on-going basis through regular reviews of the liquidity ratios, maturity mismatch, diversification and stability of the deposit base, as well as liquidity stress testing results.

Under the required stress testing scenarios, the group maintained a survival horizon in excess of the internally established limit and liquidity in excess of the regulatory ratio. Management continues to focus on monitoring relevant stress scenarios for the group. As at the year-end, the group maintained a significant surplus of liquid assets over the regulatory requirements.

Linkage to China

By leveraging its product capabilities and infrastructure, the group has direct linkage to ICBC's unparalleled access to Chinese corporates and global network of clients

Business objectives and strategies

ICBC partnership and Global Markets focus

The change in control created a unique and commercially compelling opportunity for SBG and ICBC to partner in global markets. Through introducing ICBC as majority shareholder, the partners created a new and larger commodity and financial markets platform and expanded the strategic emphasis for the company to include a focus on China by becoming part of China's leading banking group. The company, by leveraging its product capabilities and infrastructure, has direct linkage to ICBC's unparalleled access to Chinese corporates and global network of clients. This competitive advantage, combined with ICBC's balance sheet strength and leading Renminbi capabilities, provides a unique strategic platform to serve the growing demands of ICBC and SBG clients.

China is the world's largest consumer of natural resources, its corporations and financial institutions are expanding rapidly beyond its borders, and it benefits from robust, albeit slowing, economic growth. China is also the world's second largest economy and has one of the fastest growing traded currencies in the world, the Renminbi. These factors, in combination with the powerful client relationships that ICBC has, present the company with exciting franchise and revenue growth opportunities, while maintaining the role it performs for SBG's African business.

Commodities

The commodities focus is to leverage the ICBC brand and client franchise to pursue growth in three main areas. First, the Base Metals desk intends to build scale in financing activities with a limited number of large clients. Second, the Precious Metals desk intends to develop products and capabilities that serve the interests of ICBC and their broader client base.

Lastly, the oil product suite offers growth opportunities through servicing the needs of Chinese state-owned enterprises. It is also anticipated that this product suite will be successfully marketed to Western trading houses, offering diversity in the client base. Furthermore, it is planned to develop structured finance/offtake arrangements with ICBC clients across all commodity product suites.

FICE

The FICE business is intrinsically premised on the integration and collaboration with ICBC.

The key strategic areas for this business can be summarised along three lines. First, the intention is to become a leading offshore Renminbi (CNH) markets house outside of Asia. With the opportunities arising from the internationalisation of the Renminbi and with the majority shareholder being the largest bank in China, it is a clear strategic objective to develop this capability.

Second, the ICBC franchise offers the FICE business significant opportunities to offer structured hedging products associated with ICBC lending to corporates. This is currently provided by other market participants and ICBCS has the platform and expertise to provide this for ICBC clients.

Lastly, in addition to the event-driven opportunities already described, the FICE business intends to build relationships with ICBC clients to offer them treasury related products.

Capital management and liquidity

SBLH made a tier 1 equity capital injection of US$300.0 million in January 2015 prior to the completion of the change in control transaction. This capital injection is to support business growth and replenish the capital base of the group following losses incurred during 2014 and ensures that the group has sufficient financial resources to deliver on the business plan. The group adopts a holistic approach to capital and liquidity risk management which links strategy, policy, management and monitoring with appropriate escalation and feedback mechanisms. The group's approach seeks to ensure that these risks are identified promptly through the early warning indicator (EWI) and liquidity risk tolerance frameworks.

Key risk areas and impact on prospects

The group faces a number of risks and uncertainties in the normal course of conducting banking business. In addition, the group will also face certain risks in the course of implementing the acquisition of a controlling interest by ICBC. The key risks and risk management processes are set out in note 38 of this report and the key areas of focus for management in relation to these risks are described below.

The separation of the group from SBG and the subsequent integration with ICBC continues to be a primary focus of management. In order to provide ICBC with the opportunity to invest in a focused Global Markets business, a number of corporate re-organisation steps were undertaken as a condition to completion. Newly established entities have acquired or taken transfer of all the assets, liabilities and employees of the excluded business from the group prior to completion. Where it was not practicable to transfer specific assets of the excluded business from the group prior to completion, all the risk and benefit relating to these assets was transferred to other SBG entities by means of collateralised notes issued. An equally important re-organisation step has been to embed the operational model and infrastructure platforms to support the Global Markets business. The operating model is highly integrated with SBG and operations rely on services provided by SBG under robust service level agreements.

The profitability of the business remains a key focus for management. The slowdown in China and the depressed commodity markets present some of the key risks facing the global economy and consequently the group's clients. Although the prevailing market conditions have not had a significant impact on asset valuations at the date of this report, the ongoing impact on the business plan is closely monitored. Accelerating the monetisation of the significant revenue opportunities arising from the partnership between ICBC and SBG and managing the financial resources required to support business demand and growth are the primary management objectives.

Stable

Moody's credit rating was confirmed as remaining unchanged at Baa3 on a stable outlook and Fitch Ratings' rating was upgraded to BBB+ on a stable outlook

The group's credit rating is important for business operations and was highly integrated with that of the SBG credit rating prior to the change in control. Management's focus has been on the execution of its credit rating strategy reflecting the separation of the group from SBG. The credit rating is premised on the parental support from ICBC, as well as consideration of the strong capital and liquidity position, corporate strategy, future profitability and rating agency engagement. Subsequent to the transaction close, Moody's credit rating was confirmed as remaining unchanged at Baa3 on a stable outlook and Fitch Ratings' rating was upgraded to BBB+ on a stable outlook.

Funding is a core activity and the focus continues to be on the development of diversified funding sources and effective liquidity risk management. The funding plan has been calibrated to the credit rating strategy and the ability to raise funds while managing funding costs is a key challenge in meeting funding requirements. Furthermore, the prevailing market conditions are also considered in monitoring and assessing the funding plan.

The regulatory environment encompassing both prudential and conduct requirements has continued to evolve for business transacted in the financial markets. The management team has responded to the ongoing prudential requirements by implementing appropriate actions to maintain a strong liquidity position and capital ratios, in both cases in excess of minimum regulatory requirements. The group's capital and liquidity management includes the impact of emerging legislation on capital and liquidity forecasting and stress testing to ensure the group continues to be adequately capitalised and funded. The group has also put in place plans and resources to support the introduction of new regulatory reforms including Basel III, Dodd Frank, EMIR, FATCA and CRS, and to evaluate the impact of these on business activity.

From time to time, the group is the subject of various regulatory reviews and requests for information by various governmental and regulatory bodies arising from the group's business operations. While there is inherent uncertainty in predicting the outcome of these proceedings, management believe, based upon current knowledge, that the risk of a material adverse effect on the consolidated financial position arising from current regulatory proceedings is remote.

By order of the Board

R Otterson

Secretary

25 February 2016

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Registered in England and Wales No. 2130447

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The directors present their report and financial statements for the year ended 31 December 2015 for ICBC Standard Bank Plc (the company) and its subsidiaries (together the group)

Directors' report

Going concern basis

The financial statements are prepared on a going concern basis, as the directors are satisfied that the company and group have the resources to continue in business for the foreseeable future. In making this assessment, the directors have considered a wide range of information relating to present and future conditions. Further information relevant to the assessment is provided in the following sections of the financial statements:

- principal activities, strategic direction and challenges and uncertainties are described in the strategic report;
- the acquisition of a controlling interest in the group by ICBC is described in the strategic report;
- a financial summary, including a review of the income statement and balance sheet, is provided in the strategic report; and
- objectives, policies and processes for managing credit, liquidity and market risk, and the group's approach to capital management and allocation, are described in note 38.

Management actions over a number of years have simplified the business operating model, reduced the scale and complexity of operations and de-risked the group's balance sheet in relation to Investment Banking, TPS and PIM business which were transferred to SBG on, or before, 31 December 2014. As a result of these strategic measures, the group is exposed to significantly lower credit risk and benefits from a more focused global markets operating platform.

ICBC and SBG announced on 1 February 2015 the completion of the sale and purchase agreement in terms of which ICBC acquired from Standard Bank London Holdings Limited (SBLH), the group's former parent company, a controlling interest in the SBG's London-based Global Markets business, focusing on commodities, fixed income, currencies, credit and equities products. As the company is the primary legal entity used by the Global Markets business, ICBC acquired 60% of Standard Bank Plc from SBLH for a cash consideration. The company was rebranded to ICBC Standard Bank Plc after completion of the transaction.

The group maintains a strong capital and liquidity position. SBG's undertaking of support remained until completion, at which time ICBC entered into arrangements in favour of the group substantively similar to the SBG support letter. ICBC issued the following statement of support on 1 February 2015 which applies from deal completion:

We confirm ICBC Standard Bank Plc (ICBCS) is viewed as a long-term investment and is an integral part of our overall operational strategy. Our goal is to develop ICBCS into a major link in our international network, and therefore, we undertake to support its development and growth. ICBC hereby confirms that it intends to financially support ICBCS in ensuring that it meets all of its financial obligations as they fall due, including the maintenance of a minimum capital adequacy level in ICBCS. Specifically, ICBC intends to provide funding and capital support to ICBCS and commits its intention to subscribe for certain 'qualifying instruments' as and when ICBC receives written notice from ICBCS that ICBCS' capital and reserve funds amount to (or will foreseeably in the near term amount to) less than the minimum required amount of capital and reserve funds as determined in accordance with the rules and regulations of the Prudential Regulation Authority (or its successor).

Having considered the factors set out above, the group continues to adopt the going concern basis in preparing the annual financial statements.

Dividends

The directors do not recommend the payment of a dividend.

Internal control and financial reporting

The directors who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the group's auditors are unaware, that each director has taken all steps that they ought to have taken as directors to make them aware of any relevant audit information, and to establish that the group's auditors are aware of that information.

The directors are responsible for internal control in the group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The procedures that the directors have established are designed to provide effective internal control within the group.

Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the group have been in place throughout the year and up to 25 February 2016, the date of approval of the consolidated annual report for the year ended 31 December 2015.

The directors and senior management of the group have adopted policies which set out the Board's attitude to risk and internal control. Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties.

The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

There are well established budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data.

The effectiveness of the internal control system is reviewed regularly by the Board and the audit committee, which also receives reports of reviews undertaken by the internal audit function as well as reports from the external auditors which include observations of internal control matters that they have identified. Certain aspects of the system of internal control are also subject to regulatory supervision, the results of which are monitored closely by the Board.

Committees

The Board delegates certain functions and responsibilities to the following committees.

Governance committee

This committee is responsible for the day-to-day management of the group. Subject to the overall authority of the Board, the committee meets regularly to develop business strategy, initiate and review strategic initiatives, review and approve annual business plans, monitor financial performance against budget, monitor risk and all matters related to regulatory responsibilities and review the activities of its sub-committees.

Membership: The committee comprises executive directors and certain senior executives, currently, M van der Spuy (chairperson and chief executive), J Xu (alternative chair and president), N Auret, M Basten, M Buncombe, I Dalglish, R Fielder, P Hacker, G Haller, P Hurley, G A R Joyce, A Maartens, C Potter and S Wang.

The major sub-committees, supporting the governance committee in fulfilling its responsibilities, are the capital management committee, the risk management committee, regulatory compliance committee, client risk management committee, new products committee, transaction acceptance committee and the integration and change committee.

Board audit committee

This non-executive board committee monitors the process for identifying, evaluating and managing risks and controls. In particular, this includes the quality, integrity and reliability of compliance, financial and accounting control systems. The committee's other responsibilities are to review the scope of external and internal audit, to receive regular reports from internal audit and KPMG LLP, and to review the financial statements focusing in particular on accounting policies, areas of management judgement and estimates. The committee meets quarterly.

Membership: H E Staunton (chairman), E J Giera, C J Sheridan and A W Simmonds.

Board risk management committee

The objective of this board committee is to provide an independent review and challenge to the group's risk policies and the composition of the risk portfolio, its concentrations and the risk-taking decisions of the group, covering all aspects of risk – market, credit, country, liquidity and operational. The committee complements the audit committee which also studies, inter alia, risk controls and their operation, but from a different perspective. The committee meets quarterly.

Membership: B J Kruger (chairman), M Bi, E J Giera, C J Sheridan, A W Simmonds, H E Staunton and J Zheng.

Board remuneration committee

This non-executive committee approves remuneration policy and long-term incentive schemes for staff, sets the remuneration of executive directors and other senior executives and approves guidelines for the group's annual salary and incentive reviews.

Membership: C J Sheridan (chairman), M Bi, Q Hou, B J Kruger and H E Staunton. P Chen served on this committee until 21 January 2016.

Transactions with directors and related parties

There are no loans, arrangements or agreements that require disclosure under the Companies Act 2006 or International Accounting Standard IAS 24 regarding transactions with related parties, other than those shown in the notes to the financial statements.

Directors' liability insurance

The group maintained directors' and officers' liability insurance during the twelve months ended 31 December 2015.

Employees

It is the group's policy to ensure that all employees and job applicants are given equal opportunities and that they do not face discrimination on the grounds of ethnic origin, colour, nationality, marital same sex partnership or family status, religion, sex, age, sexual orientation, gender reassignment or disability. Should an employee become disabled during his or her career with the group, all reasonable efforts will be made to ensure continued employment.

Employee involvement in the group's business is encouraged and information disseminated through communication meetings and an internal staff publication.

The group recognises its responsibilities to provide a safe working environment for all its staff and measures are in place to ensure that the Health and Safety at Work regulations are observed.

Directors and directors' interests

The directors who held office during the course of 2015 or who hold office as at the date of this report are as follows:

M Bi	(Appointed as chairman and a non-executive director on 8 April 2015)
P Chen	(Appointed as a non-executive director on 1 February 2015, resigned on 21 January 2016)
E J Giera	(Appointed as an independent non-executive director on 5 October 2015)
Q Hou	(Appointed as a non-executive director on 1 February 2015)
B J Kruger	(Resigned as chairman on 1 February 2015, continues as a non-executive director)
D Munro	(Appointed as a non-executive director on 1 February 2015)
C J Sheridan	(Independent non-executive director)
A W Simmonds	(Appointed as an independent non-executive director on 1 September 2015)
H E Staunton	(Independent non-executive director)
M van der Spuy	(Chief executive and executive director)
S Wang	(Appointed as an executive director on 1 February 2015)

J Xu	(Appointed as president and an executive director on 1 February 2015)
J Zheng	(Appointed as a non-executive director on 10 February 2015)
M E Austen	(Resigned as an independent non-executive director on 7 May 2015)
D P H Burgess	(Resigned as an independent non-executive director on 5 October 2015)
G A R Joyce	(Resigned as an executive director on 1 February 2015)
J H Maree	(Resigned as a non-executive director on 1 February 2015)
P D Sullivan	(Resigned as an independent non-executive director on 1 February 2015)

None of the directors held any beneficial interest in the ordinary share capital of the company during the year or at 31 December 2015.

Auditor

KPMG LLP has indicated its willingness to continue as auditor of the group. Accordingly, a resolution is to be proposed at the next annual general meeting for the re-appointment of KPMG LLP as auditor of the group.

By order of the Board

R Otterson

Secretary

25 February 2016

20 Gresham Street

London EC2V 7JE

Registered in England and Wales No. 2130447

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This statement provides an understanding of the group's remuneration philosophy and practices

Remuneration policy statement

Introduction

This statement is intended to provide stakeholders with an understanding of the group's remuneration philosophy and practices.

At the heart of the group's strategy is the value placed on the group's people as a primary differentiator. Highly skilled and experienced people, both business generators and enablers, are essential in delivering sustainable growth for shareholders within prudent risk boundaries.

A strategic focus is, therefore, to continually build the depth, breadth and calibre of human capital required to deliver group strategy. Effective leadership and reward of the group's human capital is considered a core competency.

The primary imperative of the remuneration strategy is to implement designs and practices that only reward value delivered, adjusted appropriately for risk assumed.

A second objective in strategy is to be competitive in remuneration in the global marketplace for skills. The group seeks to reward all its people in a manner that is fair, both to the individual and to shareholders, while avoiding a bonus-centric culture that distorts motivations and may encourage excessive risk-taking.

Promoting effective teamwork is a third vital component of remuneration strategy. Remuneration scheme designs and performance evaluation processes must motivate strong and sustained performance within teams.

Within this wider strategic context, the group's remuneration committee (Remco) seeks to design and implement structures and practices that are specifically tailored to its business strategy.

Remco continues to work with local regulators to ensure that the group's remuneration philosophy and practices meet the developing requirements, maintain market competiveness and are consistent with, and promote, effective risk management.

Principles that underpin our remuneration strategy

The key principles that underpin the group's remuneration strategy and determine individual reward are as follows:

- The group rewards sustainable, long-term business results.
- The group does not discriminate between employees based on diversity or physical difference.
- The reward focus is on total reward, being fixed and variable remuneration. The group seeks to be competitive in both elements, but annual incentives are not a function of a guaranteed package.
- The group creates an appropriate balance between the fixed pay and variable elements of total reward. A deferral policy affects annual incentives above pre-determined levels.
- Vesting conditions attached to deferral awards and long-term incentives make provision for malus and forfeiture of unvested awards.
- The group determines all elements of pay based on an understanding of market remuneration levels and internal relative remuneration.
- Remuneration structures encourage a focus on achieving agreed deliverables and behaviours, rather than hours worked.

- Individual performance appraisals identify talent at all levels in the organisation, enabling fair and competitive remuneration.
- Individual rewards are determined according to group, business unit and individual performance.
- The group rewards experience and performance relative to others doing similar work and performance against the market.
- The principles of individual reward differentiation are transparent, and are based on quantitative and behavioural performance as well as retention.
- Remuneration designs comply with all legal and regulatory requirements.
- Ongoing oversight to eliminate any potential for irresponsible risk taking by individuals and to ensure risk adjustment forms an intrinsic part of remuneration design.

Remco is committed to appropriate disclosure of reward principles and structures to all relevant stakeholders, including employees and shareholders. This is aimed at enabling stakeholders to make a reasonable assessment of reward strategy, structures and associated governance processes.

Remuneration strategy

As an integral part of growing and fortifying the group's human capital, Remco regularly reviews the group's remuneration policies, structures and practices, to ensure the principles behind the reward strategy and the elements of the strategy itself, are effective.

The group's remuneration strategy includes the following:

- Reward strategies and remuneration down to an individual level must enable the group, in a highly competitive environment, to attract, motivate and retain high-calibre people at all levels of the organisation.
- Remuneration designs must motivate strong and sustained performance in teams, but also promote risk management in line with the group's stated strategy and risk tolerance.
- The balance between fixed and variable pay is appropriately structured according to seniority and roles, with particular care being given to risk and control areas. The intention is to provide both total compensation, and its composition, at market-competitive levels, drawing on relevant information from various sources, including external advisers.
- Remco annually approves the group's bonus pools and oversees the principles applied in allocating these pools to business units and individual employees. These pools are shaped by a combination of group and business unit profitability and multi-year financial metrics, taking account of capital utilised, risks assumed and an evaluation of the business area's future development and growth prospects.
- Individual performance is measured according to an appropriate range of absolute and relative criteria, including the person's quantitative delivery against specific metrics, qualitative individual behaviour and competitive performance. This measurement is integral to the group's remuneration practices and underpins strong differentiation in individual pay.
- A portion of annual bonus incentive, typically above a certain threshold, is deferred into a vehicle with multi-year vesting and malus (forfeiture) provisions.
- A significant portion of senior management reward is awarded in deferred instruments.
- No remuneration schemes are linked by formula to revenue generation.
- No multi-year guaranteed minimum bonus arrangements are permitted.

- Transparency on remuneration designs and processes is maintained with employees and increasingly with shareholders.
- Wherever available and relevant, market information is used to inform remuneration decisions.
- Stakeholders must be enabled to make a reasonable assessment of reward practices, and members of Remco have unrestricted access to information that informs their independent judgements on the possible effects that remuneration may have on compliance with risk, regulatory and behavioural controls across the group.
- The group aims to pay a comparable rate of pay against the local market for both fixed and variable compensation, but needs to ensure positioning against local market is fair across geographies.

This strategy forms the basis for reward processes within the group and all reward designs and practices are consistent with this strategy.

Discretionary incentive deferral

The group operates a deferred discretionary incentive arrangement, the purpose of which is to strengthen the retention effect of incentive remuneration.

Deferred incentive awards are also designed to allow malus (forfeiture) during the vesting period in circumstances where:

- there is reasonable evidence of misbehaviour or material error by the participant;
- the group, the employer company or the relevant business unit suffers a material downturn in its financial performance, for which the participant can be seen to have some liability;
- the group, the employer company or the relevant business unit suffers a material failure of risk management, for which the participant can be seen to have some liability; or
- in any other circumstances, if the Remco determines that it is reasonable to subject unvested awards of one or more participants to reduction or forfeiture.

For employees deemed as material risk takers (MRTs) and historically referred to as code staff, as per the UK FCA/PRA regulations, deferral rates are either 40% or 60% depending on the level of the bonus.

For non-MRTs, a proportion of the incentive may be deferred. The deferral increases from 20% at US$150,000 to 60% deferral for the highest awards. The deferral portion applies to the entire bonus amount.

Some MRTs, who have been identified under either the qualitative or quantitative definitions for financial year 2015, may continue to be subject to the group's mandatory internal deferral policy.

Remco will continue to monitor the evolving regulatory landscape as it pertains to remuneration and will respond constructively as appropriate.

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The directors are responsible for preparing the strategic report, directors' report and the financial statements

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law, they have elected to prepare both the group and company financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and applicable law.

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 group and the company and of their profit or loss for that period. In preparing each of the consolidated and company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors’ report that complies with that law and those regulations.

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.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report and directors' report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

R. Otterson

R Otterson

Secretary

25 February 2016

20 Gresham Street

London EC2V 7JE

Registered in England and Wales No. 2130447

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This is the audit report for ICBC Standard Bank Plc (formerly Standard Bank Plc)

Independent auditor's report

Independent auditor's report to the members of ICBC Standard Bank Plc (formerly Standard Bank Plc)

We have audited the financial statements of ICBC Standard Bank Plc for the year ended 31 December 2015 set out on pages 30 to 146. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on pages 23 to 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Paul Furneaux (Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London E14 5GL

26 February 2016

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The balance sheet presents assets, liabilities and shareholders' equity for the group as at 31 December 2015

Consolidated balance sheet

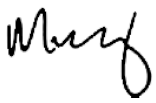
Consolidated balance sheet

at 31 December 2015

	Note	2015 $m	2014 $m
Assets			
Cash and balances with central banks	3	**3,254.2**	1,432.9
Due from banks and other financial institutions	4	**1,510.9**	2,001.3
Financial assets held for trading	5	**2,443.9**	2,695.5
Financial assets designated at fair value through profit and loss	6	**7.9**	14.2
Derivative financial assets	7	**6,223.0**	8,225.6
Reverse repurchase agreements	8	**2,684.5**	2,147.2
Loans and advances to customers	9	**427.1**	314.3
Financial investments	10	**105.3**	2.6
Property and equipment	11	**21.1**	29.2
Deferred income tax assets	12	**3.0**	24.7
Income tax receivable		**1.1**	-
Other assets	13	**3,455.5**	2,717.9
Total assets		**20,137.5**	19,605.4
Liabilities and equity			
Liabilities		**19,062.5**	18,590.3
Financial liabilities held for trading	15	**984.3**	1,154.2
Derivative financial liabilities	7	**5,926.3**	8,166.8
Due to banks and other financial institutions	16	**10,259.2**	6,669.9
Repurchase agreements	17	**361.4**	24.5
Certificates of deposit	18	**97.4**	156.9
Due to customers	19	**573.4**	1,457.8
Income tax payable		**-**	6.0
Subordinated debt	20	**682.9**	684.8
Other liabilities	21	**177.6**	269.4
Equity			
Equity attributable to ordinary shareholders		**1,075.0**	1,015.1
Share capital	27	**1,083.5**	1,083.5
Ordinary share premium		**731.0**	431.0
Reserves		**(739.5)**	(499.4)
Total liabilities and equity		**20,137.5**	19,605.4

The accounting policies and notes on pages 46 to 146 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 25 February 2016.



M van der Spuy, Chief Executive

M Bi, Chairman

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The income statement presents the financial performance for the group for the year ended 31 December 2015

Consolidated income statement

Consolidated income statement

for the year ended 31 December 2015

	Note	2015 $m	2014 $m
Net interest (expense) / income		**(3.7)**	5.5
Interest income	29.1	**57.3**	50.7
Interest expense	29.2	**(61.0)**	(45.2)
Non-interest revenue / (loss)	29.3	**176.4**	(19.2)
Net fees and commission		**18.6**	(27.7)
Fees and commission income		**20.2**	5.6
Fees and commission expenses		**(1.6)**	(33.3)
Trading revenue		**107.3**	155.1
Recovery / (loss) on commodity reverse repurchase agreements	29.4	**50.5**	(147.1)
Other operating revenue		**-**	0.5
Total operating revenue / (loss)		**172.7**	(13.7)
Credit impairment recovery / (charge)	29.5	**0.4**	(4.5)
Income / (loss) after impairments		**173.1**	(18.2)
Operating expenses		**(386.1)**	(315.3)
Staff costs	29.6	**(229.1)**	(176.4)
Other operating expenses	29.7	**(152.2)**	(135.9)
Indirect taxation	29.8	**(4.8)**	(3.0)
Loss before taxation		**(213.0)**	(333.5)
Income tax charge	30	**(19.8)**	(4.3)
Loss for the period from continuing operations		**(232.8)**	(337.8)
Discontinued operations	31	**(34.9)**	(6.8)
Loss attributable to equity shareholders		**(267.7)**	(344.6)

The accounting policies and notes on pages 46 to 146 should be read as part of the financial statements.

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This statement shows the comprehensive income for the year ended 31 December 2015

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	2015 $m	2014 $m
Loss attributable to equity shareholders	**(267.7)**	(344.6)
Items that may be subsequently reclassified to profit or loss[1]		
Foreign currency translation reserve	**(3.7)**	(1.6)
Cash flow hedging reserve[2]	**(8.7)**	(27.0)
Effective portion of changes in fair value	**(13.0)**	4.8
Net amount transferred to profit or loss	**4.3**	(31.8)
Changes in fair value of available-for-sale reserve	**(0.9)**	(0.2)
Total comprehensive loss attributable to equity shareholders	**(281.0)**	(373.4)

1 Amounts are presented net after tax. Tax impact on OCI is disclosed in note 7.4.1.

2 Includes US$ nil (2014: US$10.6 million) attributable to discontinued operations, comprising of US$ nil (2014: US$2.3 million) change in fair value and US$ nil (2014: US$12.9 million) transferred to profit or loss.

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This statement presents a summary of the changes in shareholders' equity for the year ended 31 December 2015

Consolidated statement of changes in shareholders' equity

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2015

	Ordinary share capital and share premium[1] $m	Cash flow hedging reserve $m	Available-for-sale reserve $m	Foreign currency translation reserve $m	Retained earnings[2] $m	Total equity $m
Balance at 1 January 2014	1,514.5	27.3	2.6	8.4	(164.3)	1,388.5
Total comprehensive loss for the year	-	(27.0)	(0.2)	(1.6)	(344.6)	(373.4)
Balance at 31 December 2014	1,514.5	0.3	2.4	6.8	(508.9)	1,015.1
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**

1 On 29 January 2015, the company issued an additional 2 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 - see note 28.3.

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This statement presents a summary of the cash flows for the year ended 31 December 2015

Consolidated statement of cash flows

Consolidated statement of cash flows

for the year ended 31 December 2015

	Note	2015 $m	2014 $m
Cash flows (used in) / from operating activities			
Loss before taxation			
- Continuing operations		**(213.0)**	(333.5)
- Discontinued operations		**(34.9)**	(9.8)
Adjusted for:			
Net interest expense		**3.7**	7.8
Amortisation of intangible assets		**11.7**	12.9
Impairment of intangible assets		**-**	7.7
Depreciation of property and equipment		**10.1**	8.7
Non-cash flow movements on subordinated debt		**(1.7)**	3.8
Cash-settled share-based payments		**10.9**	49.6
Equity-settled share-based payments		**-**	0.3
Net credit impairments		**0.4**	2.6
Provisions for leave pay		**1.7**	1.1
Negative goodwill recognised on acquisition of subsidiaries		**-**	(0.5)
		(211.1)	(249.3)
Changes in operating funds		**1,648.3**	770.4
(Increase) / decrease in income-earning assets	32.1	**(816.4)**	3,588.1
Increase / (decrease) in deposits and other liabilities	32.2	**2,464.7**	(2,817.7)
Interest received		**59.0**	61.5
Interest paid		**(55.0)**	(71.9)
Corporation and withholding tax paid	32.3	**(3.4)**	(0.8)
Net cash flows from operating activities		**1,437.8**	509.9
Cash flows used in investing activities			
Capital expenditure on property and equipment		**(2.0)**	(15.0)
Acquisition of subsidiaries	32.4	**-**	(13.5)
Cash flows used in investing activities		**(2.0)**	(28.5)
Cash flows from / (used in) financing activities			
Equity contribution under indemnity claim		**40.9**	-
Proceeds from issue of ordinary share capital to shareholders		**300.0**	-
Changes in subordinated debt		**-**	(28.8)
Subordinated step-up rate notes		**-**	(25.0)
Step-up perpetual subordinated notes		**-**	(3.8)
Cash flows from / (used in) financing activities		**340.9**	(28.8)
Net increase / (decrease) in cash and cash equivalents		**1,776.7**	452.6
Effects of exchange rate changes on cash and cash equivalents		**(0.7)**	(2.5)
Cash and cash equivalents at beginning of the year	32.5	**2,700.2**	2,238.7
Cash acquired through business combinations	32.4	**-**	11.4
Cash and cash equivalents at end of the year	32.5	**4,476.2**	2,700.2

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The following balance sheet presents assets, liabilities and shareholders' equity for the company as at 31 December 2015

Company balance sheet

Company balance sheet

at 31 December 2015

Assets	Note	2015 $m	2014 $m
Cash and balances with central banks	3	**3,254.2**	1,432.9
Due from banks and other financial institutions	4	**1,456.8**	1,929.1
Financial assets held for trading	5	**2,476.5**	2,698.5
Financial assets designated at fair value through profit and loss	6	**7.9**	14.2
Derivative financial assets	7	**6,222.6**	8,229.1
Reverse repurchase agreements	8	**2,684.5**	2,147.2
Loans and advances to customers	9	**412.4**	298.7
Financial investments	10	**105.3**	2.6
Property and equipment	11	**12.3**	19.9
Deferred income tax assets	12	**-**	20.0
Income tax receivable		**0.3**	-
Other assets	13	**3,414.6**	2,708.1
Investment in group companies	14	**29.5**	29.5
Total assets		**20,076.9**	19,529.8
Liabilities and equity			
Liabilities		**19,067.2**	18,585.0
Financial liabilities held for trading	15	**984.3**	1,154.2
Derivative financial liabilities	7	**5,926.0**	8,169.7
Due to banks and other financial institutions	16	**10,259.2**	6,669.9
Repurchase agreements	17	**361.4**	24.5
Certificates of deposit	18	**97.4**	156.9
Due to customers	19	**573.4**	1,457.9
Subordinated debt	20	**682.9**	684.8
Other liabilities	21	**182.6**	267.1
Equity			
Equity attributable to ordinary shareholders		**1,009.7**	944.8
Share capital	27	**1,083.5**	1,083.5
Ordinary share premium		**731.0**	431.0
Reserves		**(804.8)**	(569.7)
Total liabilities and equity		**20,076.9**	19,529.8

The accounting policies and notes on pages 46 to 146 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 25 February 2016.

M van der Spuy, Chief Executive

M Bi, Chairman

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This statement presents a summary of the changes in shareholders' equity accounts for the year ended 31 December 2015

Company statement of changes in shareholders' equity

Company statement of changes in shareholders' equity

for the year ended 31 December 2015

	Ordinary share capital and share premium $m[1]	Cash flow hedging reserve $m	Available-for-sale reserve $m	Retained earnings[2] $m	Total equity $m
Balance at 1 January 2014	1,514.5	27.3	2.6	(222.6)	1,321.8
Total comprehensive loss for the year	-	(27.0)	(0.2)	(349.8)	(377.0)
Balance at 31 December 2014	1,514.5	0.3	2.4	(572.4)	944.8
Balance at 1 January 2015	**1,514.5**	**0.3**	**2.4**	**(572.4)**	**944.8**
Total comprehensive loss for the year	**-**	**(8.7)**	**(0.9)**	**(266.4)**	**(276.0)**
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**	**(797.9)**	**1,009.7**

[1] On 29 January 2015, the company issued an additional 2 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 company for costs incurred in connection with a historic transaction - see note 28.3.

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This statement presents a summary of the cash flows for the year ended 31 December 2015

Company statement of cash flows

Company statement of cash flows

for the year ended 31 December 2015

	Note	2015 $m	2014 $m
Cash flows (used in) / from operating activities			
Loss before taxation		**(246.9)**	(346.4)
Adjusted for:			
Net interest expense		**4.1**	8.4
Amortisation of intangible assets		**11.7**	12.9
Impairment of intangible assets		**-**	7.7
Depreciation of property and equipment		**10.1**	8.3
Non-cash flow movements on subordinated debt		**(1.7)**	3.8
Cash-settled share-based payments		**10.9**	49.6
Equity-settled share-based payments		**-**	0.3
Net credit impairments		**0.5**	2.6
Provisions for leave pay		**1.7**	1.1
		(209.6)	(251.7)
Changes in operating funds		**1,670.6**	754.5
(Increase) / decrease in income-earning assets	32.1	**(817.3)**	3,558.9
Increase / (decrease) in deposits and other liabilities	32.2	**2,487.9**	(2,804.4)
Interest received		**46.3**	60.8
Interest paid		**(42.7)**	(71.8)
Corporation and withholding tax paid	32.3	**(1.0)**	(2.2)
Net cash flows from operating activities		**1,463.6**	489.6
Cash flows used in investing activities			
Capital expenditure on property and equipment		**(1.2)**	(5.7)
Acquisition of subsidiaries	32.4	**-**	(13.5)
Cash flows used in investing activities		**(1.2)**	(19.2)
Cash flows from / (used in) financing activities			
Equity contribution under indemnity claim		**40.9**	-
Proceeds from issue of ordinary share capital to shareholders		**300.0**	-
Changes in subordinated debt		**-**	(28.8)
Subordinated step-up rate notes		**-**	(25.0)
Step-up perpetual subordinated notes		**-**	(3.8)
Cash flows from / (used in) financing activities		**340.9**	(28.8)
Net increase in cash and cash equivalents		**1,803.3**	441.6
Effects of exchange rate changes on cash and cash equivalents		**1.3**	(0.9)
Cash and cash equivalents at beginning of the year	32.5	**2,585.0**	2,144.3
Cash and cash equivalents at end of the year	32.5	**4,389.6**	2,585.0

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The principal accounting policies applied in the presentation of the annual financial statements

Significant accounting policies

1. Basis of preparation

Both the company financial statements and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. In publishing the company financial statements here together with the ICBC Standard Bank Plc consolidated (group) financial statements, the company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its separate income statement and related notes that form part of these financial statements. The annual financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet:

- available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and liabilities for cash-settled share-based payment arrangements that are measured at fair value.

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 5).
- commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less cost to sell (accounting policy 6)
- intangible assets and property and equipment are accounted for at cost less accumulated amortisation and impairment (accounting policies 7 and 8).

Management actions over a number of years have simplified the business operating model, reduced the scale and complexity of operations and de-risked the group's balance sheet in relation to Investment Banking, TPS and PIM business. As a result of these strategic measures, the group is exposed to significantly lower credit risk and benefits from a more focused global markets operating platform.

ICBC and SBG announced the completion of the sale and purchase agreement on 1 February 2015 in terms of which ICBC acquired from SBLH, the group's parent company, a controlling interest in SBG's London-based Global Markets business, focusing on commodities, fixed income, currencies, credit and equities products. As the company is the primary legal entity used by the Global Markets business, ICBC acquired 60% of Standard Bank Plc from SBLH for cash. The company's name was changed to ICBC Standard Bank Plc in March 2015 following completion of the transaction.

The group maintains a strong capital and liquidity position. SBG's undertaking of support has remained until completion, at which time ICBC entered into arrangements in favour of the group substantively similar to the SBG support letter. ICBC issued the following statement of support which applies from deal completion:

We confirm ICBC Standard Bank Plc (ICBCS) is viewed as a long-term investment and is an integral part of our overall operational strategy. Our goal is to develop ICBCS into a major link in our international network, and therefore, we undertake to support its development and growth. ICBC hereby confirms that it intends to financially support ICBCS in ensuring that it meets all of its financial obligations as they fall due, including the maintenance of a minimum capital adequacy level in ICBCS. Specifically, ICBC intends to provide funding and capital support to ICBCS and commits its intention to subscribe for certain 'qualifying instruments' as and when ICBC receives written notice from ICBCS that ICBCS' capital and reserve funds amount to (or will foreseeably in the near term amount to) less than the minimum required amount of capital and reserve funds as determined in accordance with the rules and regulations of the Prudential Regulation Authority (or its successor).

Having considered the factors set out above, the group continues to adopt the going concern basis in preparing the annual financial statements.

Changes in accounting policies

The accounting policies are consistent with those adopted in the previous year, except as required in terms of the adoption of the following:

Early adoption of revised standards

- Amendments to IAS 16 Property, Plant and Equipment (IAS 16) and IAS 41 Agriculture (IAS 41).
- Annual improvements 2010 – 2012 cycle and 2011 – 2013 cycle.
- Annual improvements to IFRS 7 Financial Instruments: Disclosures (IFRS 7).
- Amendments to IAS 27 Separate Financial Statements (IAS 27).
- Amendments to IAS 1 Presentation of Financial Statements (IAS 1).

The revised standards and interpretations did not have any effect on the group's and company's reported earnings or balance sheet position and had no material impact on the accounting policies.

2. Basis of consolidation

The group consolidates the annual financial statements of investees which it controls. The group controls an investee when:

- it has power over the investee;
- it has exposure or rights to variable returns from its involvement with the investee; and
- it has the ability to use its power to affect the returns from its involvement with the investee.

The annual financial statements of the investee are consolidated from the date on which the group acquires control up to the date that control ceases. Control is assessed on a continuous basis.

Intragroup transactions, balances and unrealised gains and losses are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interests are determined on the basis of the group's present ownership interest in the subsidiary.

The accounting policies of subsidiaries that are consolidated by the group conform to these policies.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary. Investments in consolidated structured entities are accounted for at fair value in the separate financial statements.

3. Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated and company financial statements are presented in US dollars which is the group's presentation currency and company's functional currency, and all amounts, unless otherwise indicated, are stated in millions of dollars (US$ million).

Group companies

The results and financial position of all foreign operations that have a functional currency different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate on the reporting date;
- income and expenses are translated at average exchange rates for the month, to the extent that such average rates approximate actual rates; and
- all resulting foreign exchange differences are accounted for directly in a separate component of other comprehensive income (OCI), being the foreign currency translation reserve.

Where the partial disposal of a subsidiary that includes a foreign operation results in a loss of control, a proportionate share of the balance of the foreign currency translation reserve is transferred to non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a subsidiary that includes a foreign operation, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of group entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss (except when recognised in OCI as a qualifying cash flow hedge).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on debt and equities classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI, whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases, the foreign currency gains and losses are recognised in the group's foreign currency translation reserve. These gains and losses are recognised in profit or loss either on disposal (loss of control of a subsidiary, loss of significant influence over an associate or the loss of joint control over a jointly controlled entity that includes a foreign operation) or partial disposal (a reduction in ownership interest in a foreign operation other than a disposal) of an associate or jointly controlled entity that includes a foreign operation. In the case of a partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences recognised in OCI is reclassified to the non-controlling interests in that foreign operation.

4. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows consist of cash balances with central banks, together with other highly liquid short-term placements with deposit-taking institutions available on demand. These balances are subject to insignificant changes in fair value and are reported at amortised cost.

5. Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised / (derecognised) on the date the group commits to purchase / (sell) the instruments (i.e. trade date accounting), except for loans and advances which are recognised when cash is advanced to a borrower.

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications as follows:

Held-for-trading assets and liabilities

Held-for-trading assets and liabilities include those financial assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term, those forming part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and commodities that are acquired principally by the group for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Derivatives are always categorised as held-for-trading, as reflected in note 23.

Subsequent to initial recognition, the financial instruments' fair values are remeasured at each reporting date. All gains and losses, including interest and dividends, arising from changes in fair value are recognised in profit or loss as trading revenue within non-interest revenue with the exception of derivatives that are designated and effective as hedging instruments in cash flow hedge relationships (refer to derivative financial instruments and hedge accounting below).

Financial assets and liabilities designated at fair value through profit or loss

The group designates certain financial assets and liabilities, other than those classified as held-for-trading, as at fair value through profit or loss when:

- this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. Under this criterion, the main classes of financial instruments designated by the group are loans and advances to banks and customers and financial investments. The designation significantly reduces measurement inconsistencies that would have otherwise arisen, for example where the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortised cost;
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and reported to the group's key management personnel on a fair-value basis. Under this criterion, certain private equity investments, acquired non-performing loan portfolios and other investment portfolios have been designated at fair value through profit or loss; or
- financial instruments contain one or more embedded derivatives that significantly modify the instruments' cash flows.

The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are remeasured at each reporting date. Gains and losses arising from changes in fair value are recognised in profit or loss.

Private equity investments designated at fair value through profit or loss in terms of IAS 28 Investments in Associates and Joint Ventures (IAS 28), are accounted for in the designated at fair value through profit or loss category.

Available-for-sale

Financial assets classified by the group as available-for-sale are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not classified within another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When debt / (equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income / (other revenue).

Interest income, calculated using the effective interest rate method, is recognised in profit or loss. Dividends received on available-for-sale instruments are recognised in profit or loss when the group's right to receive payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the group as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the group's loans and advances are included in the loans and receivables category.

Financial liabilities at amortised cost

Financial liabilities that are neither held-for-trading nor designated at fair value are measured at amortised cost.

Reclassification of financial assets

The group may choose to reclassify non-derivative trading assets out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Derivatives or any financial instrument designated at fair value through profit or loss shall not be reclassified out of their respective categories.

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of financial instruments is generally measured on the basis of the individual financial instrument.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, that is, the fair value of the consideration paid or received, unless the fair value is evidenced either by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

When such valuation models, with only observable market data as inputs, or the comparison with other observable current market transactions in the same instrument indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If non-observable market data is used as part of the input to the valuation models or where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument the resulting difference between the transaction price and the model value is deferred. The timing of the recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets and where those quoted prices represent fair value at the measurement date. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's-length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for a financial asset or liability with similar terms and conditions.

Where the fair value of investments in unquoted equity instruments and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets are not reversed.

Impairment of financial assets

Assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a loan or group of loans is impaired. A loan or group of loans is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the loan or group of loans that can be estimated reliably.

Criteria that are used by the group in determining whether there is objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower;
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- breaches of loan covenants or conditions;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

The group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which the group has identified objective evidence of impairment, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing financial loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment for impairment.

Impairment of groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods, being the time period between the loss trigger events and the date on which the group identifies the losses. Groups of loans are also impaired when adverse economic conditions develop after initial recognition which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss. Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in credit impairment losses in profit or loss.

Subsequent to impairment, the effects of discounting unwind over time as interest income.

Renegotiated loans

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

The effective interest rate of renegotiated loans that have not been derecognised (described under the heading ‘Derecognition of financial instruments’), is redetermined based on the loan’s renegotiated terms.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered to be impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to an underlying variable, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the fair value policy above.

All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative, subject to offsetting principles as described under the heading ‘Offsetting financial instruments’.

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

The method of recognising fair value gains and losses depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the hedge relationship, or if they are classified as held-for-trading.

Derivatives that qualify for hedge accounting

When derivatives are designated in a hedge relationship, the group designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedges); or
- hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecast transaction, or a highly probable forecast intragroup transaction in the consolidated annual financial statements (cash flow hedges).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The group documents, at the inception of the hedge relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to gains or losses on the hedging instrument that provide an effective offset to the hedged item are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised in profit or loss as trading revenue.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised immediately in profit or loss as trading revenue.

Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss and classified as trading revenue.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as trading revenue.

Borrowings

Borrowings, including subordinated debt, are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability, with the difference in the respective carrying amounts being recognised in profit or loss.

In all other instances, the renegotiated asset or liability's effective interest rate is redetermined by taking into account the renegotiated terms.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are disclosed as encumbered in the notes when the transferee has the right by contract or custom to sell or repledge the collateral, are not derecognised. The liability to the counterparty is included under repurchase agreements or trading liabilities, as appropriate.

Securities purchased under agreements to resell, at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans granted under resale agreements and included under trading assets or reverse repurchase agreements, as appropriate. The difference between the purchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

6. Commodities and related transactions

Commodities that are acquired principally by the group for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, are measured at fair value less cost to sell and are reported as non-financial assets held for trading within other assets. All changes in fair value less cost to sell are recognised in trading revenue in the period of the change. Commodities held by the bank may be on an allocated or unallocated basis with third parties or within facilities leased by the bank.

Forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract, are recognised as derivative financial instruments and measured at fair value. All changes in fair value are recognised in trading revenue in the period of the change.

Commodities purchased under agreements to resell, at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans granted under resale agreements and included under trading assets or reverse repurchase agreements where these transactions are in substance financing transactions. The difference between the purchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method, or held at fair value if transactions form part of a trading activity that is managed on a fair value basis.

Commodities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the measurement basis applied to that instruments classification as set out above. Commodities borrowed are not recognised in the financial statements unless sold to third parties. In these cases, the obligation to return the commodity borrowed is recorded at fair value as non-financial liabilities due to customers within other liabilities.

Income and expenses arising from the commodity borrowing and lending business are recognised over the period of the transactions.

7. Intangible assets

Computer software

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year are recognised as intangible assets. Capitalisation is further limited to development costs where the group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (2 to 10 years) from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary.

8. Property and equipment

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in profit or loss as incurred. Depreciation, impairment losses and gains and losses on disposal of assets are included in profit or loss.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.

The estimated useful lives of tangible assets are typically as follows:

Computer equipment	2 to 5 years
Office equipment	5 to 7 years
Motor vehicles	5 years
Furniture and fittings	5 to 7 years

There has been no change to the estimated useful lives and depreciation methods from those applied in the previous financial year.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the item.

9. Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss.

10. Impairment of non-financial assets

Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are 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. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). Impairment losses recognised in respect of cash-generating units reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss 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.

11. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease of assets is either classified as a finance lease or operating lease. Lease of assets under which the group transfers substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases. Similarly, leases of assets under which the group retains a significant portion of the risks and rewards of ownership are classified as operating leases.

Group as lessee

Leases where the group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

12. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit. Contingent liabilities are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

13. Tax

Direct taxation

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and jointly controlled entities (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses and other temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Indirect taxation

Indirect taxes, including non-recoverable value added tax (VAT) and other duties for banking activities are recognised in profit or loss and disclosed separately in the income statement.

14. Employee benefits

Post-employment benefits – defined contribution plans

The group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

15. Long-term incentive schemes

The group operates both cash-settled and equity-settled share-based compensation plans.

Quanto stock unit plan

The quanto stock unit plan awards a number of quanto stock units denominated in US$ and is a cash-settled, deferred incentive scheme. For those in issue as of December 2015, the value is based on the Standard Bank Group Limited (SBG) share price and moves in parallel to the change in price of the SBG shares listed on the Johannesburg Stock Exchange. The awards made in 2016 will be based on the ICBC share price as quoted on the Hong Kong Stock Exchange. The awards, which are granted following remuneration committee approval subsequent to year end, vest over a three year period dependent on the employee being in service for the period and are accrued from the award date over the vesting period. The scheme provides for an incremental amount to be paid, accrued from the award date over the vesting period, if the employee is in service for four years. The amount of the accrued liability is re-measured at the end of each reporting period, taking into account assumptions about leavers. The changes in liability are accounted for through profit or loss over the life of the quanto stock units. The changes in the liability arising from share price movements have been hedged, applying cash flow hedging principles.

SBG equity scheme

The SBG equity-settled share-based compensation plan awards options over the Standard Bank Group Limited shares. At the end of each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss over the vesting period of the share options, with a corresponding increase in reserves, as the obligation to employees is settled by Standard Bank Group. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest.

16. Revenue and expenditure

Revenue described below represent the most appropriate equivalent of turnover and is derived substantially from the business of banking and related activities.

Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 9 – 'Capitalisation of borrowing costs') are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the balance sheet, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates of payments or receipts on financial assets (except those that have been reclassified – refer to accounting policy 5 – 'Financial instruments') or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate.

Fair value gains and losses on realised debt financial instruments, excluding those classified as held-for-trading, are included in net interest income.

Non-interest revenue

Net fees, commission and revenue sharing arrangements

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, as well as those on commodities within non-financial assets held for trading, together with related interest income, expense and dividends.

Other revenue

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss and dividends relating to those financial instruments.

Gains and losses on equity available-for-sale financial assets are reclassified from OCI to profit or loss on derecognition or impairment of the investments. Dividends on these instruments are recognised in profit or loss.

Dividend income

Dividends are recognised in profit or loss when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.

17. Assets held for sale to group companies and discontinued operations

Assets that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the group's accounting policies and tested for impairment (refer accounting policy 10 – 'Impairment of non-financial assets'). Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Assets are presented separately in the balance sheet.

Property and equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

The group classifies a component of the business as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations, or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

The results of discontinued operations are shown as a single amount in the income statement comprising the post-tax profit or loss.

18. Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results are based on the group's internal reporting to management. Transactions between segments are priced at market-related rates.

19. Fiduciary activities (client money)

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

20. Comparative figures

Where necessary, comparative figures within notes have been reclassified to conform to changes in presentation required by the parent company in the current year (see note 36).

21. New standards and interpretations not yet adopted

The following new or revised standards and amendments are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these annual financial statements.

Pronouncement	Title	Effective date
IFRS 9	**Financial Instruments** This standard will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within OCI. The standard has introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. This new model will apply to financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss). With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as for certain contract assets or trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses. The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The standard will be applied retrospectively only if it is possible without the use of hindsight. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2018 (subject to EU endorsement)
IFRS 10 and IAS 28 (amendments)	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.	Annual periods beginning on or after 1 January 2016
IFRS 11 (amendments)	**Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations** The amendments specify the appropriate accounting treatment for acquisitions of interests in joint operations in which the activities of the joint operation constitute a business. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.	Annual periods beginning on or after 1 January 2016
IFRS 15	**Revenue from Contracts with Customers** This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2018

Pronouncement	Title	Effective date
IAS 27 (amendments)	**Equity Method in Separate Financial Statements** The amendments allow entities preparing separate financial statements to utilise the equity method to account for investments in subsidiaries, joint ventures and associates. The standard will be applied retrospectively. The impact on the company's annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2016
IFRS 16	**Leases** This standard will replace the existing standard, IAS 17 Leases, as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier). The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard. As a result, a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard requires the lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2019
IAS 7 (amendments)	**Statement of cash flow** The amendments are part of the disclosure initiative requiring entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment requires that the following changes in liabilities arising from financing activities be disclosed and should be separate from other assets and liabilities: • changes from financing cash flows; • changes arising from obtaining or losing control of subsidiaries or other businesses; • the effect of changes in foreign exchange rates; • changes in fair values; and • other changes. The standard will be applied prospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2017
IAS 12 (amendments)	**Income tax** The amendments in recognition of deferred tax assets for unrealised losses clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The standard will be applied prospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2017

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The notes to the financial statements include further information

Notes to the annual financial statements

1. Segment reporting

On 1 February 2015, ICBC acquired a controlling interest of 60% in SBG's London-based Global Markets business. Other activities performed in the group, comprising Investment Banking, Transactional Products and Services, Corporate Banking and the Service Unit, were not part of the transaction and had been transferred to SBG entities prior to the change in control. The results for continuing operations now reflect the major segments previously reflected within Global Markets, namely Commodities, FICE and Other.

Operating segments - continuing operations

Commodities	The Commodities business unit provides trading, sales and structuring expertise and has global presence across Base Metals, Precious Metals, Bulk Products and Oil.
FICE	The FICE segment provides a comprehensive range of foreign exchange, money markets, interest rate, credit and equity products. The segment is focused on emerging markets.
Other	Includes central treasury balance sheet and significant items not allocated to business segments.

Operating segments - discontinued operations

Discontinued operations	Investment Banking, Transactional Products and Services, Service Unit, Principal Investment Management & Private Client Services, segments that have been disposed of under the transaction.

1. Segment reporting continued

	Continuing operations				Discontinued operations
2015 **Segment results**	**Commodities $m**	**FICE $m**	**Other $m**	**Total $m**	**Total $m**
Net interest expense	**(0.9)**	**(2.8)**	**-**	**(3.7)**	**-**
Net fees, commission and revenue sharing arrangements	**4.8**	**13.8**	**-**	**18.6**	**6.0**
Trading revenue	**50.1**	**57.2**	**-**	**107.3**	**-**
Recovery on commodity reverse repurchase agreements	**-**	**-**	**50.5**	**50.5**	**-**
Total revenue	**54.0**	**68.2**	**50.5**	**172.7**	**6.0**
Credit impairment recovery / (charge)	**0.8**	**(0.5)**	**0.1**	**0.4**	**-**
Revenue after impairments	**54.8**	**67.7**	**50.6**	**173.1**	**6.0**
Operating expenses	**(193.0)**	**(185.4)**	**(7.7)**	**(386.1)**	**(40.9)**
(Loss) / profit before taxation	**(138.2)**	**(117.7)**	**42.9**	**(213.0)**	**(34.9)**
Income tax recovery / (charge)	**0.1**	**(1.7)**	**(18.2)**	**(19.8)**	**-**
(Loss) / profit attributable to equity shareholders	**(138.1)**	**(119.4)**	**24.7**	**(232.8)**	**(34.9)**
Included in operating expenses:					
Depreciation	**(5.3)**	**(4.8)**	**-**	**(10.1)**	**-**
Amortisation of intangible assets	**(9.2)**	**(2.5)**	**-**	**(11.7)**	**-**

	Continuing operations				Discontinued operations
2014 Segment results	Commodities $m	FICE $m	Other $m	Total $m	Total $m
Net interest income / (expense)	1.9	3.6	-	5.5	(13.3)
Net fees, commission and revenue sharing arrangements	(21.3)	(6.4)	-	(27.7)	210.3
Trading revenue / (loss)	110.3	44.8	-	155.1	(6.0)
Loss on commodity reverse repurchase agreements	-	-	(147.1)	(147.1)	-
Other revenue / (loss)	-	-	0.5	0.5	(2.0)
Total revenue / (loss)	90.9	42.0	(146.6)	(13.7)	189.0
Credit impairment (charge) / recovery	-	(7.5)	3.0	(4.5)	1.9
Revenue / (loss) after impairments	90.9	34.5	(143.6)	(18.2)	190.9
Operating expenses	(159.3)	(156.0)	-	(315.3)	(200.7)
Loss before taxation	(68.4)	(121.5)	(143.6)	(333.5)	(9.8)
Income tax (charge) / recovery	(1.1)	(2.1)	(1.1)	(4.3)	3.0
Loss attributable to equity shareholders	(69.5)	(123.6)	(144.7)	(337.8)	(6.8)
Included in operating expenses:					
Depreciation	(4.2)	(3.4)	-	(7.6)	(1.1)
Amortisation of intangible assets	(4.7)	(6.5)	-	(11.2)	(1.7)

	Continuing operations				Discontinued operations
Segment assets and liabilities	**Commodities $m**	**FICE $m**	**Other $m**	**Total $m**	**Total $m**
2015					
Total assets	**6,087.1**	**9,885.5**	**4,164.9**	**20,137.5**	**-**
Total liabilities	**6,045.9**	**9,820.9**	**3,196.3**	**19,062.5**	**-**
2014					
Total assets[1]	5,265.3	11,252.0	3,088.1	19,605.4	-
Total liabilities[1]	2,154.5	11,005.1	5,430.7	18,590.3	-

[1] On 31 December 2014, the remaining assets and liabilities included in the discontinued operations were transferred to SBG companies.

Geographical analysis

The geographical analysis has been compiled on the basis of location of office where the transactions are recorded.

Name	Nature of activities	Geographical Location	Turnover[1]	(Loss) / profit before tax	Corporation tax paid[2]	Average number of employees
			$m	$m	$m	
2015						
ICBC Standard Bank Plc	Banking	United Kingdom	**110.9**	**(249.7)**	**-**	**730**
ICBC Standard Bank Plc Dubai branch	Banking	Dubai	**1.6**	**-**	**-**	**2**
ICBC Standard Bank Plc Hong Kong branch	Banking	Hong Kong	**7.0**	**0.3**	**-**	**22**
ICBC Standard Bank Plc Singapore branch	Banking	Singapore	**26.3**	**0.8**	**-**	**95**
ICBC Standard Bank Plc Tokyo branch	Banking	Japan	**3.7**	**1.6**	**0.3**	**9**
ICBC Standard Resources (China) Limited	Trading	China	**4.1**	**(1.9)**	**0.9**	**22**
ICBC Standard NY Holdings, Inc. group	Broker/Dealer	USA	**25.1**	**1.0**	**(0.9)**	**48**
Other consolidated structured entities[3]			**-**	**-**	**2.2**	**-**
Total			**178.7**	**(247.9)**	**2.5**	**928**
2014						
ICBC Standard Bank Plc	Banking	United Kingdom	82.5	(352.6)	-	845
ICBC Standard Bank Plc Dubai branch	Banking	Dubai	5.8	0.4	-	9
ICBC Standard Bank Plc Hong Kong branch	Banking	Hong Kong	18.7	0.1	-	36
ICBC Standard Bank Plc Singapore branch	Banking	Singapore	13.2	0.2	-	40
ICBC Standard Bank Plc Tokyo branch	Banking	Japan	7.9	5.3	0.2	8
ICBC Standard Resources (China) Limited	Trading	China	9.0	2.7	1.1	22
ICBC Standard NY Holdings, Inc. group	Broker/Dealer	USA	37.1	0.6	(2.5)	63
Other consolidated structured entities			1.1	-	-	-
Total			175.3	(343.3)	(1.2)	1,023

[1] Turnover is defined as accounting revenue.
[2] Negative value represents a tax receipt.
[3] This relates to an historic liability settled with the Chinese tax authorities by an externally-managed unit trust.

Summary balance sheet	Total assets	Non-financial assets	Total liabilities	Non-financial liabilities
	$m	$m	$m	$m
2015				
ICBC Standard Bank Plc	**19,916.6**	**3,325.6**	**18,877.6**	**51.5**
ICBC Standard Bank Plc Dubai branch	**1.9**	**1.7**	**33.2**	**33.2**
ICBC Standard Bank Plc Hong Kong branch	**217.9**	**4.9**	**214.1**	**1.7**
ICBC Standard Bank Plc Singapore branch	**76.6**	**28.3**	**60.2**	**60.2**
ICBC Standard Bank Plc Tokyo branch	**172.7**	**147.0**	**170.9**	**125.5**
ICBC Standard Resources (China) Limited	**87.5**	**57.2**	**22.8**	**2.1**
ICBC Standard NY Holdings, Inc. group	**26.9**	**16.0**	**12.7**	**12.7**
Other consolidated structured entities and consolidation eliminations	**(362.6)**	**(101.1)**	**(329.0)**	**(109.3)**
Total	**20,137.5**	**3,479.6**	**19,062.5**	**177.6**
2014				
ICBC Standard Bank Plc	19,166.8	2,524.2	18,227.4	267.1
ICBC Standard Bank Plc Dubai branch	0.4	0.4	31.7	31.7
ICBC Standard Bank Plc Hong Kong branch	191.3	5.7	187.7	2.1
ICBC Standard Bank Plc Singapore branch	55.4	7.0	40.3	40.1
ICBC Standard Bank Plc Tokyo branch	363.0	228.1	357.5	277.1
ICBC Standard Resources (China) Limited	173.5	17.5	87.7	0.9
ICBC Standard NY Holdings, Inc. group	30.2	17.0	16.3	16.4
Other consolidated structured entities and consolidation eliminations	(375.2)	(28.1)	(358.3)	(360.0)
Total	19,605.4	2,771.8	18,590.3	275.4

No public subsidies were received during the reporting period.

The geographical analysis has been prepared in accordance with Capital Requirements (Country-by-Country Reporting) Regulations 2013.

2. Key management assumptions

In preparing the consolidated and company financial statements, estimates and judgements are made that could affect the reported amounts of assets and liabilities within the next reporting period. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

2.1 Taxation

The group is subject to direct and indirect taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the year in which such determination is made.

Deferred tax assets

The accounting policy for the recognition of deferred tax assets is described in accounting policy 13. A deferred tax asset is recognised to the extent that it is probable that suitable future taxable profits will be available against which deductible temporary differences can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of suitable future taxable profits, future reversals of existing taxable temporary differences and planning strategies.

The deferred tax asset recognised is based on the evidence available about conditions at the reporting date, and requires significant judgements to be made by management, especially those based on management's projections of business revenues. Management's judgement takes into account the impact of both negative and positive evidence, including historical financial results and projections of future taxable income, on which the recognition of the deferred tax asset is mainly dependent.

Losses suffered in recent years created uncertainty over the recoverability of the group's deferred tax asset balances and as a result deferred tax assets of US$207.2 million (2014: US$149.7 million) have not been recognised in respect of unutilised trading losses carried forward and other temporary differences. Due mainly to the historic performance of ICBCS and the current challenging global economic conditions, the recognised deferred tax asset has been reduced to US$3.0 million (2014: US$24.7 million). Based on management's judgement, the unutilised trading losses will remain eligible for future use.

Additional disclosure relating to the deferred tax asset is set out in note 12.

2.2 Determining fair value

The fair value of financial instruments that are not quoted in active markets is determined using other valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include recoverability, risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments. Additional disclosures on fair value measurements of financial instruments are set out in notes 22, 23 and 24. Note 29.4 provides additional information on management's judgement regarding the valuation loss on commodity reverse repurchase agreements.

2.3 Legal proceedings and regulatory matters

From time to time, the group is involved in litigation or receives claims arising from the conduct of its business which can require the group to engage in legal and regulatory proceedings in order to enforce contractual rights. Similarly, the group is the subject of various regulatory reviews, requests for information and investigations by various governmental and regulatory bodies related to the group's business operations.

ICBC Standard Bank Plc is defending a class action lawsuit filed against it and a number of other institutions in the Southern District of New York for unquantified damages arising as a result of an alleged conspiracy to manipulate and rig the global benchmarks for physical platinum and palladium prices, as well as the prices of platinum and palladium based financial derivative products. ICBC Standard Bank Plc is also defending a similar complaint filed against it (and various other institutions) by an individual plaintiff.

During the year, ICBC Standard Bank Plc entered into a Deferred Prosecution Agreement (DPA) with the United Kingdom Serious Fraud Office following a judgment delivered by the High Court of England and Wales on 30 November 2015. The DPA relates to allegations that the group failed, contrary to section 7 of the UK Bribery Act 2010, to prevent two senior executives of Stanbic Bank Tanzania (Stanbic) engaging a local partner with the intent that the engagement would induce Tanzanian government representatives into acting partially in awarding a capital raising mandate to the bank and Stanbic. ICBC Standard Bank Plc also agreed with the United States Securities and Exchange Commission to resolve a claim that it acted negligently and did not disclose to US investors the involvement of the local partner in this capital raising mandate. The group has incurred costs of US$40.9 million, included within discontinued operations, related to this matter.

While recognising the inherent difficulty of predicting the outcome of legal and regulatory proceedings, management believe, based upon current knowledge, that the risk of a material adverse effect on the consolidated financial position arising from current legal and regulatory proceedings is remote.

3. Cash and balances with central banks

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Reserve Account with Bank of England[1]	**3,254.2**	1,432.9	**3,254.2**	1,432.9

[1] This reserve account operates in the same way as a current account with an overnight contractual tenor.

4. Due from banks and other financial institutions

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Gross amounts due	**1,510.9**	2,006.6	**1,456.8**	1,934.4
Demand and term loans due from banks	**195.4**	915.4	**196.9**	920.4
Other financial institutions	**126.1**	651.4	**123.4**	707.6
Balances with banks	**1,189.4**	439.8	**1,136.5**	306.4
Credit impairments	**-**	(5.3)	**-**	(5.3)
	1,510.9	2,001.3	**1,456.8**	1,929.1
Specific impairments				
Balance at beginning of the year	**5.3**	16.8	**5.3**	16.8
Amounts written off	**(4.6)**	(18.1)	**(4.6)**	(18.1)
Impairments raised	**0.3**	7.5	**0.3**	7.5
Exchange and other movements	**(1.0)**	(0.9)	**(1.0)**	(0.9)
	-	5.3	**-**	5.3
Segmental industry analysis				
Due from banks	**1,384.8**	1,355.2	**1,333.4**	1,226.8
Other financial institutions	**126.1**	651.4	**123.4**	707.6
	1,510.9	2,006.6	**1,456.8**	1,934.4
Included above are the following amounts with related parties				
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)	**27.2**	0.5	**24.5**	0.5
Balances with subsidiaries and branches of shareholder with significant influence (SBG)	**163.5**	101.1	**163.5**	146.7
	190.7	101.6	**188.0**	147.2

5. Financial assets held for trading

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Government, utility bonds and treasury bills	**1,288.3**	953.9	**1,288.4**	924.8
Corporate bonds and floating rate notes	**756.8**	958.1	**756.8**	958.1
Listed equities	**19.7**	44.8	**19.7**	44.8
Reverse repurchase agreements	**378.9**	535.9	**378.9**	535.9
Other unlisted instruments	**0.2**	202.8	**32.7**	234.9
	2,443.9	2,695.5	**2,476.5**	2,698.5
Included above are the following amounts with related parties				
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)	**1.2**	-	**1.2**	-
	1.2	-	**1.2**	-

6. Financial assets designated at fair value through profit and loss

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Unlisted equities	**7.9**	14.2	**7.9**	14.2
	7.9	14.2	**7.9**	14.2

7. Derivative instruments

7.1 Derivative assets and liabilities

All derivatives are classified as either derivatives held for trading or derivatives held for hedging.

Group 2015

	Maturity analysis of net fair value < 1 year	1 - 5 years	>5 years	Net fair value	Fair value of assets	Fair value of liabilities	Contract /notional amount
	$m	$m	$m	$m	$m	$m	$m
Derivatives held for trading							
Foreign exchange derivatives	86.2	(16.7)	-	69.5	680.3	(610.8)	71,719.6
Forwards	86.0	(15.2)	-	70.8	674.1	(603.3)	68,773.4
Options	0.2	(1.5)	-	(1.3)	6.2	(7.5)	2,946.2
Interest rate derivatives	(68.6)	58.9	(208.0)	(217.7)	3,778.1	(3,995.8)	255,686.1
Caps and floors	-	3.6	-	3.6	5.0	(1.4)	1,667.4
Forwards	0.4	0.2	-	0.6	17.2	(16.6)	24,516.8
Future options	0.6	3.0	-	3.6	4.7	(1.1)	66,740.7
Swaps	(70.7)	51.9	(208.1)	(226.9)	3,744.4	(3,971.3)	161,800.4
Swaptions	1.1	0.2	0.1	1.4	6.8	(5.4)	960.8
Commodity derivatives	370.0	52.6	0.3	422.9	1,683.0	(1,260.1)	136,435.4
Forwards	55.7	34.2	0.3	90.2	189.5	(99.3)	2,436.3
Futures	339.0	0.1	-	339.1	1,359.9	(1,020.8)	129,979.4
Options	(24.7)	18.3	-	(6.4)	133.6	(140.0)	4,019.7
Credit derivatives	(6.7)	-	0.8	(5.9)	39.7	(45.6)	3,979.0
Credit default swaps	(1.4)	0.1	0.8	(0.5)	39.3	(39.8)	3,958.7
Total return swaps	(5.3)	(0.1)	-	(5.4)	0.4	(5.8)	20.3
Equity derivatives	3.4	1.7	-	5.1	5.3	(0.2)	79.1
Options	3.4	1.7	-	5.1	5.3	(0.2)	79.1
Total derivative assets / (liabilities) held for trading	384.3	96.5	(206.9)	273.9	6,186.4	(5,912.5)	467,899.2
Derivatives held for hedging							
Derivatives designated as cash flow hedges	(8.1)	(5.7)	-	(13.8)	-	(13.8)	326.4
Foreign exchange forwards	(3.5)	(1.1)	-	(4.6)	-	(4.6)	285.6
Equity options	(4.6)	(4.6)	-	(9.2)	-	(9.2)	40.8
Derivatives designated as fair value hedges	-	36.6	-	36.6	36.6	-	500.0
Interest rate swaps	-	36.6	-	36.6	36.6	-	500.0
Total derivative assets / (liabilities) held for hedging	(8.1)	30.9	-	22.8	36.6	(13.8)	826.4
Total derivative assets / (liabilities)	376.2	127.4	(206.9)	296.7	6,223.0	(5,926.3)	468,725.6
Included above are the following amounts with related parties:							
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)				64.6	97.9	(33.3)	
Balances with subsidiaries and branches of shareholder with significant influence (SBG)				36.9	345.3	(308.4)	

The company reported derivative assets of US$6,222.6 million (2014: US$8,229.1 million) and derivative liabilities of US$ 5,926.0 million (2014: US$8,169.7 million). The differences between the group and company amounts are due to foreign exchange and commodity derivatives.

7. Derivative instruments (continued)

7.1 Derivative assets and liabilities

Group 2014

	Maturity analysis of net fair value < 1 year	1 - 5 years	>5 years	Net fair value	Fair value of assets	Fair value of liabilities	Contract /notional amount
	$m	$m	$m	$m	$m	$m	$m
Derivatives held for trading							
Foreign exchange derivatives	(144.3)	101.0	(0.3)	(43.6)	1,016.0	(1,059.6)	27,558.0
Forwards	(150.8)	103.6	-	(47.2)	977.9	(1,025.1)	23,619.5
Futures	0.3	-	-	0.3	0.3	-	10.0
Options	6.2	(2.6)	(0.3)	3.3	37.8	(34.5)	3,928.5
Interest rate derivatives	(116.0)	(50.8)	(2.8)	(169.6)	5,406.1	(5,575.7)	187,364.6
Caps and floors	-	-	-	-	-	-	36.2
Forwards	(8.8)	0.1	-	(8.7)	11.9	(20.6)	20,617.0
Future options	1.8	5.0	-	6.8	7.6	(0.8)	21,084.6
Swaps	(110.1)	(57.5)	(2.8)	(170.4)	5,373.7	(5,544.1)	142,805.4
Swaptions	1.1	1.6	-	2.7	12.9	(10.2)	2,821.4
Commodity derivatives	215.8	(3.3)	0.4	212.9	1,551.2	(1,338.3)	184,828.4
Forwards	99.0	20.5	0.4	119.9	191.0	(71.1)	2,812.9
Futures	137.4	6.4	-	143.8	1,176.8	(1,033.0)	176,663.0
Options	(20.6)	(30.2)	-	(50.8)	183.4	(234.2)	5,352.5
Credit derivatives	(57.1)	9.2	3.9	(44.0)	147.5	(191.5)	8,206.0
Credit default swaps	4.5	4.7	3.9	13.1	140.4	(127.3)	8,097.3
Total return swaps	(61.6)	4.5	-	(57.1)	7.1	(64.2)	108.7
Equity derivatives	81.4	(23.7)	-	57.7	58.2	(0.5)	38.5
Futures & forwards	-	-	-	-	-	-	3.1
Options	24.3	(23.7)	-	0.6	0.6	-	32.7
Swaps	57.1	-	-	57.1	57.6	(0.5)	2.7
Total derivative assets / (liabilities) held for trading	(20.2)	32.4	1.2	13.4	8,179.0	(8,165.6)	407,995.5
Derivatives held for hedging							
Derivatives designated as cash flow hedges	2.2	1.6	-	3.8	5.0	(1.2)	123.2
Foreign exchange forwards	(1.2)	-	-	(1.2)	-	(1.2)	85.3
Equity options	3.4	1.6	-	5.0	5.0	-	37.9
Derivatives designated as fair value hedges	-	41.6	-	41.6	41.6	-	500.0
Interest rate swaps	-	41.6	-	41.6	41.6	-	500.0
Total derivative assets / (liabilities) held for hedging	2.2	43.2	-	45.4	46.6	(1.2)	623.2
Total derivative assets / (liabilities)	(18.0)	75.6	1.2	58.8	8,225.6	(8,166.8)	408,618.7
Included above are the following amounts with related parties:							
Balances with subsidiaries and branches of shareholder with significant influence (SBG)				117.5	390.3	(272.8)	

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.

7.2 Use and measurement of derivative instruments

In the normal course of business, the group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate and equity exposures. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised in the balance sheet and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major types of swap transactions undertaken by the group are as follows:

- Interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate.

- Cross currency interest rate swaps involve the exchange of interest payments based on two different currency principal balances and interest reference rates and generally also entail exchange of principal amounts at the start and/or end of the contract.

- Credit default swaps are the most common form of credit derivative, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third party.

- Total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is affected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded over-the-counter (OTC) or on a regulated exchange.

Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

7.3 Derivatives held for trading

The group trades derivative instruments on behalf of customers and for its own positions. The group transacts derivative contracts to address customer demands both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The group also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

7.3.1 Foreign exchange derivatives

Foreign exchange derivatives are used to hedge foreign currency risks on behalf of customers and for the group's own positions. Foreign exchange derivatives primarily consist of forward exchange contracts, foreign exchange futures and foreign exchange options.

7.3.2 Interest rate derivatives

Interest rate derivatives are used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the group's own positions. Interest rate derivatives primarily consist of caps and floors, forward rate agreements, future options and swaps.

7.3.3 Commodity derivatives

Commodity derivatives are used to address customer commodity demands and to take proprietary positions for the group's own account. Commodity derivatives primarily consist of commodity forwards, commodity futures and commodity options.

7.3.4 Credit derivatives

Credit derivatives are used to hedge the credit risk from one counterparty to another and manage the credit exposure to selected counterparties on behalf of customers and for the group's own positions. Credit derivatives primarily consist of credit default swaps and total return swaps.

7.3.5 Equity derivatives

Equity derivatives are used to address customer equity demands and to take proprietary positions for the group's own accounts. Equity derivatives primarily consist of futures, options, index options, swaps and other equity related financial derivative instruments.

7.4 Derivatives held for hedging

7.4.1 Derivatives designated as cash flow hedges

The group enters into derivative contracts to hedge future probable cash flows, which are designated as cash flow hedges.

- The income statement volatility associated with future highly probable expenses in currencies other than the functional currency is hedged utilising forward exchange contracts.

- Equity options are used to mitigate risk of change in cash flows arising from changes in the long-term incentive liability, underpinned by the SBG share price (note 29.9.1).

Gains and losses on the effective portion of derivatives designated as cash flow hedges of forecast transactions are initially recognised directly in other comprehensive income in the cash flow hedging reserve, and are transferred to the income statement when the forecast cash flows impact the income statement.

The forecast cash flows that will result in the release of the cash flow hedging reserve into the income statement at 31 December are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
3 months or less	**52.8**	31.3	**52.8**	31.3
More than 3 months but less than 1 year	**135.9**	74.8	**135.9**	74.8
More than 1 year but less than 5 years	**137.7**	15.9	**137.7**	15.9
	326.4	122.0	**326.4**	122.0
Reconciliation of movements in the cash flow hedging reserve				
Balance at beginning of the year	**0.3**	27.3	**0.3**	27.3
Amounts recognised directly in other comprehensive income	**(13.0)**	4.8	**(13.0)**	4.8
Less: amounts transferred to profit or loss (operating expenses)	**4.3**	(31.8)	**4.3**	(31.8)
Balance at end of the year	**(8.4)**	0.3	**(8.4)**	0.3

There is no current or deferred tax charged or credited to equity in 2015 (2014: $nil).

In 2014, the group ceased the application of cash flow hedge accounting on the share based payments relating to employees in discontinued operations who were transferred to other SBG companies. The forecast transactions were thus no longer expected to occur, and an amount of US$1.8 million was recycled to profit or loss in trading revenue.

7.4.2 Derivatives designated as fair value hedges

The group's fair value hedges consist of interest rate swaps that are used to mitigate the risk of changes in the fair value of financial instruments as a result of changes in market interest rates.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the item in relation to the risk being hedged are recognised in profit or loss.

	Group		Company	
	2015	2014	**2015**	2014
Gains / (losses) arising from fair value hedges	**$m**	$m	**$m**	$m
- on hedging instruments	**(4.7)**	2.8	**(4.7)**	2.8
- on the hedged item attributable to the hedged risk	**4.4**	(3.1)	**4.4**	(3.1)

The hedged item is disclosed in note 20 – 'Subordinated debt'.

8. Reverse repurchase agreements

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Customers	**38.0**	52.6	**38.0**	52.6
Banks and other financial institutions	**2,646.5**	2,094.6	**2,646.5**	2,094.6
	2,684.5	2,147.2	**2,684.5**	2,147.2
Included above are the following amounts with related parties:				
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)	**250.2**	-	**250.2**	-
Balances with subsidiaries and branches of shareholder with significant influence (SBG)	**272.4**	56.7	**272.4**	56.7
	522.6	56.7	**522.6**	56.7

9. Loans and advances to customers

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Gross loans and advances to customers	**433.4**	321.3	**418.7**	305.7
Demand loans and advances	**243.3**	266.2	**228.6**	250.6
Term loans	**190.1**	55.1	**190.1**	55.1
Credit impairments	**(6.3)**	(7.0)	**(6.3)**	(7.0)
	427.1	314.3	**412.4**	298.7
Portfolio impairments				
Balance at beginning of the year	**7.0**	10.0	**7.0**	10.0
Impairments released	**(0.7)**	(3.0)	**(0.7)**	(3.0)
	6.3	7.0	**6.3**	7.0
Segmental industry analysis				
Manufacturing	**75.5**	71.4	**75.5**	71.4
Mining	**231.5**	97.6	**231.5**	97.6
Transport	**7.0**	20.5	**7.0**	20.5
Wholesale	**97.7**	113.9	**97.7**	113.9
Other	**21.7**	17.9	**7.0**	2.3
	433.4	321.3	**418.7**	305.7

10. Financial investments

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Corporate bonds	**102.9**	-	**102.9**	-
Unlisted equities	**2.4**	2.6	**2.4**	2.6
	105.3	2.6	**105.3**	2.6

11. Property and equipment

11.1 Summary

Group	2015 Cost	2015 Accumulated depreciation	2015 Carrying value	2014 Cost	2014 Accumulated depreciation	2014 Carrying value
	$m	$m	$m	$m	$m	$m
Computer equipment	**20.0**	**(11.8)**	**8.2**	19.6	(8.6)	11.0
Office equipment	**5.7**	**(2.6)**	**3.1**	5.7	(1.9)	3.8
Furniture and fittings	**38.3**	**(28.5)**	**9.8**	37.8	(23.4)	14.4
	64.0	**(42.9)**	**21.1**	63.1	(33.9)	29.2

11.2 Movement

	2014 Carrying value	Acquisition of subsidiaries	Additions	Disposals	Depreciation charge	2015 Carrying value
	$m	$m	$m	$m	$m	$m
Computer equipment	**11.0**	**-**	**1.2**	**-**	**(4.0)**	**8.2**
Office equipment	**3.8**	**-**	**0.2**	**-**	**(0.9)**	**3.1**
Furniture and fittings	**14.4**	**-**	**0.6**	**-**	**(5.2)**	**9.8**
	29.2	**-**	**2.0**	**-**	**(10.1)**	**21.1**

	2013 Carrying value	Acquisition of subsidiaries[1]	Additions	Disposals	Depreciation charge	2014 Carrying value
	$m	$m	$m	$m	$m	$m
Computer equipment	7.8	0.1	6.3	-	(3.2)	11.0
Office equipment	3.2	-	1.0	-	(0.4)	3.8
Furniture and fittings	11.8	0.1	7.7	(0.1)	(5.1)	14.4
	22.8	0.2	15.0	(0.1)	(8.7)	29.2

[1] Relates to the acquisition of the ICBC Standard NY Holdings, Inc. Additional details are disclosed in note 14.

11.3 Summary

Company	2015 Cost	2015 Accumulated depreciation	2015 Carrying value	2014 Cost	2014 Accumulated depreciation	2014 Carrying value
	$m	$m	$m	$m	$m	$m
Computer equipment	**18.0**	**(10.8)**	**7.2**	17.6	(7.6)	10.0
Office equipment	**5.0**	**(2.4)**	**2.6**	4.9	(1.8)	3.1
Furniture and fittings	**29.6**	**(27.1)**	**2.5**	29.6	(22.8)	6.8
	52.6	**(40.3)**	**12.3**	52.1	(32.2)	19.9

11.4 Movement

	2014 Carrying value	Additions	Depreciation charge	2015 Carrying value
	$m	$m	$m	$m
Computer equipment	**10.0**	**0.9**	**(3.7)**	**7.2**
Office equipment	**3.1**	**0.3**	**(0.8)**	**2.6**
Furniture and fittings	**6.8**	**0.1**	**(4.4)**	**2.5**
	19.9	**1.3**	**(8.9)**	**12.3**

	2013 Carrying value	Additions	Depreciation charge	2014 Carrying value
	$m	$m	$m	$m
Computer equipment	7.6	5.3	(2.9)	10.0
Office equipment	3.1	0.4	(0.4)	3.1
Furniture and fittings	11.8	-	(5.0)	6.8
	22.5	5.7	(8.3)	19.9

12. Deferred income tax assets

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Deferred tax asset recognised	**3.0**	24.7	**-**	20.0
Deferred tax asset not recognised	**207.2**	149.7	**207.2**	149.7
Unused tax losses and other temporary differences	**210.2**	174.4	**207.2**	169.7

12.1 Movements in deferred tax balances

Group 2015	**Opening balance**	**Recognised in profit/loss**	**Asset not recognised[1]**	**Closing balance**
	$m	**$m**	**$m**	**$m**
Capital allowances	**10.6**	**(11.7)**	**-**	**(1.1)**
Share-based payments	**12.0**	**(10.8)**	**-**	**1.2**
Other short-term temporary differences	**2.1**	**(0.3)**	**-**	**1.8**
Unused tax losses	**-**	**1.1**	**-**	**1.1**
Total recognised deferred tax	**24.7**	**(21.7)**	**-**	**3.0**
Total unrecognised deferred tax[2]	**149.7**	**-**	**57.5**	**207.2**
Temporary differences not recognised	**21.8**	**-**	**28.3**	**50.1**
Unused tax losses not recognised	**127.9**	**-**	**29.2**	**157.1**
	174.4	**(21.7)**	**57.5**	**210.2**

Group 2014	Opening balance	Acquisition of subsidiaries	Recognised in profit /loss	Asset not recognised	Closing balance
		$m	$m	$m	$m
Capital allowances	9.9	0.6	0.1	-	10.6
Impaired loans	0.7	-	(0.7)	-	-
Share-based payments	9.4	2.9	(0.3)	-	12.0
Other short-term temporary differences	0.7	-	1.4	-	2.1
Total recognised deferred tax	20.7	3.5	0.5	-	24.7
Total unrecognised deferred tax	77.4	-	-	72.3	149.7
Temporary differences not recognised	5.2	-	-	16.6	21.8
Unused tax losses not recognised	72.2	-	-	55.7	127.9
	98.1	3.5	0.5	72.3	174.4

Company 2015	**Opening balance**	**Recognised in profit/loss**	**Asset not recognised[1]**	**Closing balance**
	$m	**$m**	**$m**	**$m**
Capital allowances	**10.6**	**(10.6)**	**-**	**-**
Share-based payments	**9.4**	**(9.4)**	**-**	**-**
Total recognised deferred tax	**20.0**	**(20.0)**	**-**	**-**
Total unrecognised deferred tax	**149.7**	**-**	**57.5**	**207.2**
Temporary differences not recognised	**21.8**	**-**	**28.3**	**50.1**
Unused tax losses not recognised	**127.9**	**-**	**29.2**	**157.1**
	169.7	**(20.0)**	**57.5**	**207.2**

[1] Asset not recognised includes an adverse tax rate change of US$0.3 million.

[2] Deferred tax assets have not been recognised in the UK in respect of gross deductible temporary differences of US$192.9 million (2014: US$109.1 million) and gross tax losses of US$872.3 million (2014: US$639.3 million). UK deductible temporary differences and UK tax losses can be carried forward indefinitely. The main UK corporation tax rate for 2016 is 20%. A reduction in the main UK corporation tax rate to 19% with effect from 1 April 2017 and 18% from 1 April 2020 has been enacted. Additionally an 8% surcharge on banking companies in the UK takes effect from 1 January 2016. The company applied 18% to unrecognised UK tax losses and 26% to all other unrecognised UK temporary differences.

Company 2014	**Opening balance**	**Recognised in profit/loss**	**Asset not recognised**	**Closing balance**
	$m	**$m**	**$m**	**$m**
Capital allowances	9.9	0.7	-	10.6
Impaired loans	0.7	(0.7)	-	-
Share-based payments	9.4	-	-	9.4
Total recognised deferred tax	20.0	-	-	20.0
Total unrecognised deferred tax	77.4	-	72.3	149.7
Temporary differences not recognised	5.2	-	16.6	21.8
Unused tax losses not recognised	72.2	-	55.7	127.9
	97.4	-	72.3	169.7

13. Other assets

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Non-financial assets held for trading[1]	**3,326.0**	2,486.1	**3,289.5**	2,481.6
Unsettled dealing balances	**61.6**	99.9	**61.6**	99.9
Other receivables	**67.9**	120.2	**63.5**	114.9
Intangible assets	**-**	11.7	**-**	11.7
	3,455.5	2,717.9	**3,414.6**	2,708.1
Included above are the following amounts with related parties:				
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)	**1.9**	-	**6.8**	-
Balances with subsidiaries and branches of shareholder with significant influence (SBG)	**10.2**	53.0	**10.2**	51.2
	12.1	53.0	**17.0**	51.2

[1] Non-financial assets held for trading consist of precious metals, base metals, bulk and energy stocks which form part of the group's commodity business. These include positions in warehouses operated by authorised third parties.

14. Investment in group companies

Company		
Carrying value at end of the year	29.5	29.5

The subsidiary undertakings are as follows:

Entity	Activity	Country of incorporation	% Interest
ICBC Standard NY Holdings, Inc.	Holding company	United States of America	100
ICBC Standard New York Securities, Inc.[1]	Broker / dealer	United States of America	100
ICBC Standard America, Inc.[1]	Trading company	United States of America	100
Standard Resources (China) Limited	Trading company	The People's Republic of China	100

[1] Indirectly held

15. Financial liabilities held for trading

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Government and utility bonds	**471.5**	347.1	**471.5**	347.1
Corporate bonds	**26.7**	44.0	**26.7**	44.0
Listed equities	**-**	1.1	**-**	1.1
Unlisted equities	**1.0**	-	**1.0**	-
Credit-linked notes	**459.6**	666.0	**459.6**	666.0
Other unlisted instruments	**25.5**	96.0	**25.5**	96.0
	984.3	1,154.2	**984.3**	1,154.2
Included above are the following amounts with related parties:				
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)	**1.5**	-	**1.5**	-
Balances with subsidiaries and branches of shareholder with significant influence (SBG)	**2.3**	14.6	**2.3**	14.6
	3.8	14.6	**3.8**	14.6

16. Due to banks and other financial institutions

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Due to banks	**9,972.6**	5,965.4	**9,972.6**	5,965.4
Other financial institutions	**286.6**	704.5	**286.6**	704.5
	10,259.2	6,669.9	**10,259.2**	6,669.9
Included above are the following amounts with related parties:				
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)	**3,418.9**	10.0	**3,418.9**	10.0
Balances with subsidiaries and branches of shareholder with significant influence (SBG)	**1,837.7**	2,412.8	**1,837.7**	2,412.8
	5,256.6	2,422.8	**5,256.6**	2,422.8

17. Repurchase agreements

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Banks and other financial institutions	**361.4**	24.5	**361.4**	24.5
	361.4	24.5	**361.4**	24.5

18. Certificates of deposit

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Commercial paper	**97.4**	156.9	**97.4**	156.9
	97.4	156.9	**97.4**	156.9
Included above are the following amounts with related parties:				
Balances with subsidiaries and branches of shareholder with significant influence (SBG)	**91.9**	138.9	**91.9**	138.9
	91.9	138.9	**91.9**	138.9

19. Due to customers

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Call deposits	**366.3**	998.9	**366.3**	999.0
Term deposits	**207.1**	458.9	**207.1**	458.9
	573.4	1,457.8	**573.4**	1,457.9

20. Subordinated debt

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Subordinated fixed rate notes 2019[1]	**535.0**	538.7	**535.0**	538.7
Step-up perpetual subordinated notes[2]	**137.9**	137.9	**137.9**	137.9
Accrued interest	**10.0**	8.2	**10.0**	8.2
	682.9	684.8	**682.9**	684.8

1 Bonds issued in US Dollars (US$500.0 million) bearing interest equal to 8.125% per annum until maturity on 2 December 2019. To manage interest rate volatility, the group entered into a fair value hedge. Refer note 7.4.2.

2 Bonds issued in US Dollars (US$137.9 million) at a fixed rate equal to 8.012% per annum. The bonds carry an option to be redeemed in full at their nominal value on or after 27 July 2016. After this option date, the bonds bear interest at the aggregate of 3.250% per annum and the London interbank offer rate for three-month US Dollar deposits. US$3.8 million was redeemed on 30 September 2014. Refer to note 35 regarding the redemption in January 2016.

Claims in respect of the loan capital are subordinated to the claims of the other creditors. The group has not defaulted on principal, interest or other clauses with respect to its subordinated liabilities during 2015 and 2014.

21. Other liabilities

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Unsettled dealing balances	**54.0**	82.2	**68.7**	82.1
Long-term share incentives	**23.1**	47.4	**21.7**	44.4
Other	**100.5**	139.8	**92.2**	140.6
	177.6	269.4	**182.6**	267.1
Included above are the following amounts with related parties:				
Balances with subsidiaries and branches of ultimate holding company (ICBC Limited)	**-**	-	**14.8**	-
Balances with subsidiaries and branches of shareholder with significant influence (SBG)	**1.4**	24.6	**1.4**	33.9
	1.4	24.6	**16.2**	33.9

22. Estimation of fair values

22.1 Financial instruments measured at fair value

The process of marking to market seeks to value a financial instrument at its fair value. The best indicator of a fair value is an independently published price quoted in an active market. If the instrument is not traded in an active market, its fair value is determined using valuation techniques consistent with other market participants to price similar financial instruments.

Where valuation techniques are used to determine fair values, they are validated and periodically independently reviewed by qualified senior personnel and the independent price verification values are presented to CapCom. All models are approved before they are used, and models are calibrated and back-tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations.

The fair value can be a function of many variables. These variables can include factors unique to the position such as liquidity and oversupply. Fair value does not factor in ‘fire-sale’ or ‘distressed sale’ conditions unless immediate sale is the trading objective. Equally, fair value does not factor in ‘trading off the information curve’, i.e. trades between unequally informed counterparties.

In order to arrive at fair value, valuation adjustments are made where appropriate to include liquidity risk, model risk, parameter uncertainty, credit risk, administrative costs and revenue recognition. As a practical expedient, instruments are sometimes priced at mid-market. This would include situations where instruments that incorporate a combination of risks (i.e. corporate bonds which trade interest rate risk and credit risk) are hedged against some of the risks, leaving the other risks open. In that case, a bid / offer adjustment is applied on the net open risk position as appropriate.

The valuation methodologies used are objective and deterministic, i.e. given the same market conditions and holding assumptions, the marking process should produce identical results. However, valuing any instrument or portfolio involves a degree of judgement and can never be completely defined in mechanistic terms.

There may not be one perfect mark for any position, but rather ranges of possible values. At any point in time, the mark-to-market on a financial instrument must be based on the effective deal tenor or term.

For certain commodity trades, where the group purchases spot and sells to the same counterparty at a fixed price on a forward settling basis, transactions are valued as financing transactions and are priced accordingly. Where similar trades occur but the far leg is executed as an option or at a prevailing market price, the individual trades are priced as individual spot and forward trades.

Private equity positions are valued according to specific private equity valuation policies which follow IFRS and international guidelines. These items include private equity investments in individual enterprises and in funds.

Derivatives are estimated using either market prices, broker quotes or discounting future flows. Performance risk of the counterparts and correlation between counterpart and underlying performance may also be factored into valuation where applicable.

22.2 Fair value of financial instruments carried at amortised cost

The value of financial instruments not carried at fair value incorporates the group's estimate of the amount at which the group would be able to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It does not reflect the costs / benefits that the company expects to measure on the flows generated over the expected life of the instrument. Other reporting entities may use different valuation methodologies and assumptions in determining fair values for which no observable market prices are available.

The fair values stated at a point in time may differ significantly from the amounts which will actually be paid on the maturity date or settlement dates of the instruments. In many cases, it will not be possible to realise immediately the estimated fair values.

The following methods and significant assumptions have been applied in determining the fair values:

- The fair value of demand deposits with no specific maturity is assumed to be the amount payable at the end of the reporting period.
- The fair value of the variable and fixed rate financial instruments carried at amortised cost is estimated by comparing interest rates when the loans were granted with current market interest rates and credit spreads on similar loans.
- For impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered, which includes consideration of collateral.
- For secured loans and deposits arising from sale and repurchase agreements and for bond transactions that are due to settle on a date beyond the market norm (i.e. forward settlement), the group receives collateral in the form of cash or securities. The collateral is valued using established valuation techniques and variation margin is called or paid. Carrying amounts therefore closely reflect fair values.

22.3 Overnight index based swap curves (OIS)

A number of market participants have changed inputs in the valuation methodology of certain products from the use of Libor rates to overnight index swap rates (OIS) to reflect the nature of the cost of financing of the product. Most collateral balances on derivative trades are funded at an overnight rate and hence OIS curves are more relevant than traditional Libor curves for such trades.

As is the practice amongst market participants, OIS discounting was used where applicable to the rates portfolio within the group. Discounting of collateralised derivatives also accounted for the currency in which collateral balances were posted.

22.4 Credit, debit and funding valuation adjustments (CVA, DVA and FVA)

The methodology for estimating CVA and DVA as at 31 December 2015 was consistent with that used in 2014, with inputs updated where required. Credit and debit valuation adjustments are taken against derivative exposures in order to reflect the potential impact of party / counterparty performance with regards to these contracts.

The exposure upon which a provision is calculated is not the current replacement value in the balance sheet but rather an expectation of future exposures. The typical calculation of a future exposure on a trade is based on a simulation of expected positive exposures performed to standard market methodologies.

For most products, the bank uses a simulation methodology to calculate the expected positive exposure to a counterparty. This incorporates a range of potential exposures across the portfolio of transactions with the counterparty over the life of the portfolio. The simulation methodology includes credit mitigants such as counterparty netting agreements and collateral agreements with the counterparty.

Where material, adjustments account for ‘wrong-way risk’. Wrong-way risk arises when the underlying value of the derivative prior to any CVA is positively correlated to the probability of default by the counterparty. When there is deemed to be significant wrong-way risk, a counterparty-specific approach is applied.

Own credit adjustments (DVA) on derivative instruments and credit-linked notes are based on the expectation of future exposures that counterparties will have to the group.

For derivative trades, CVA is calculated by applying the probability of default (PD) of the counterparty conditional on the non-default of the bank to the expected positive exposure to the counterparty and multiplying the result by the loss given default (LGD). Conversely, DVA is calculated by applying the PD of the bank, conditional on the non-default of the counterparty, to the expected exposure that the counterparty has to the bank and multiplying by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure. The group takes uncertainty provisions against DVA calculated against derivative counterparts due to substantial uncertainty as to the ability to monetise the DVA. The PD of the group has been estimated based on the market view of ICBC’s credit risk, as the group’s credit risk is not directly observable.

In order to reflect the funding costs and benefits related to uncollateralised flows on derivative exposures, a funding valuation adjustment (FVA) was applied in the current year, resulting in a benefit of US$17.6 million. This FVA was calculated using the same methodology as per CVA and DVA. However, valuations were adjusted for effects related to the expected funding of the flows rather than the performance of the parties.

23 Classification of assets and liabilities

The tables that follow analyse financial instruments carried at the end of the reporting period by measurement basis. Fair values are determined for each balance sheet line item and classified into levels 1, 2 or 3, depending on its valuation basis. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of financial instruments and the levels have been defined as follows:

Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets that the bank 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.

Classification of assets and liabilities 31 December 2015	Note	Held-for-trading[1]	Designated at fair value	Loans and receivables	Available-for-sale	Other amortised cost	Other non-financial assets /liabilities	Total carrying value	Level 1	Level 2	Level 3	Other[2]	Total fair value
		$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Financial assets measured at fair value													
Financial assets held for trading	5	**2,443.9**	-	-	-	-	-	**2,443.9**	**953.5**	**1,419.2**	**71.2**	-	**2,443.9**
Financial assets designated at fair value through profit and loss	6	-	**7.9**	-	-	-	-	**7.9**	-	-	**7.9**	-	**7.9**
Derivative financial assets	7	**6,223.0**	-	-	-	-	-	**6,223.0**	**1,353.4**	**4,828.1**	**41.5**	-	**6,223.0**
Financial investments	10	-	-	-	**105.3**	-	-	**105.3**	-	**102.9**	**2.4**	-	**105.3**
		8,666.9	**7.9**	-	**105.3**	-	-	**8,780.1**	**2,306.9**	**6,350.2**	**123.0**	-	**8,780.1**
Financial assets carried at amortised cost													
Cash and balances with central banks	3	-	-	**3,254.2**	-	-	-	**3,254.2**	-	-	-	**3,254.2**	**3,254.2**
Due from banks and other financial institutions	4	-	-	**1,510.9**	-	-	-	**1,510.9**	-	-	**288.9**	**1,222.0**	**1,510.9**
Reverse repurchase agreements	8	-	-	**2,684.5**	-	-	-	**2,684.5**	-	**2,693.2**	-	-	**2,693.2**
Loans and advances to customers	9	-	-	**427.1**	-	-	-	**427.1**	-	-	**429.1**	-	**429.1**
		-	-	**7,876.7**	-	-	-	**7,876.7**	-	**2,693.2**	**718.0**	**4,476.2**	**7,887.4**
Other non-financial assets		**3,326.0**	-	-	-	-	**154.7**	**3,480.7**					
Total assets		**11,992.9**	**7.9**	**7,876.7**	**105.3**	-	**154.7**	**20,137.5**					
Financial liabilities measured at fair value													
Derivative financial liabilities	7	**5,926.3**	-	-	-	-	-	**5,926.3**	**979.4**	**4,682.6**	**264.3**	-	**5,926.3**
Financial liabilities held for trading	15	**984.3**	-	-	-	-	-	**984.3**	**22.2**	**621.6**	**340.5**	-	**984.3**
		6,910.6	-	-	-	-	-	**6,910.6**	**1,001.6**	**5,304.2**	**604.8**	-	**6,910.6**
Financial liabilities carried at amortised cost													
Due to banks and other financial institutions	16	-	-	-	-	**10,259.2**	-	**10,259.2**	-	-	**6,496.6**	**3,762.6**	**10,259.2**
Repurchase agreements	17	-	-	-	-	**361.4**	-	**361.4**	-	**361.9**	-	-	**361.9**
Certificates of deposit	18	-	-	-	-	**97.4**	-	**97.4**	-	-	**98.8**	-	**98.8**
Due to customers	19	-	-	-	-	**573.4**	-	**573.4**	-	-	**575.0**	-	**575.0**
Subordinated debt	20	-	-	-	-	**682.9**	-	**682.9**	-	**698.2**	-	-	**698.2**
		-	-	-	-	**11,974.3**	-	**11,974.3**	-	**1,060.1**	**7,170.4**	**3,762.6**	**11,993.1**
Other non-financial liabilities	21	-	-	-	-	-	**177.6**	**177.6**					
Total liabilities		**6,910.6**	-	-	-	**11,974.3**	**177.6**	**19,062.5**					

There were no significant transfers between level 1 and level 2 in the current year.

[1] Includes derivative assets and liabilities held for hedging. Refer to note 7.4.

[2] Represents cash and cash equivalents.

Classification of assets and liabilities 31 December 2014	Note	Held-for-trading[1]	Designated at fair value	Loans and receivables	Available -for-sale	Other amortised cost	Other non-financial assets /liabilities	Total carrying value	Level 1	Level 2	Level 3	Other[2]	Total fair value
		$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Financial assets measured at fair value													
Financial assets held for trading	5	2,695.5	-	-	-	-	-	2,695.5	748.7	1,683.2	263.6	-	2,695.5
Financial assets designated at fair value through profit and loss	6	-	14.2	-	-	-	-	14.2	-	-	14.2	-	14.2
Derivative financial assets	7	8,225.6	-	-	-	-	-	8,225.6	1,015.3	7,167.2	43.1	-	8,225.6
Financial investments	10	-	-	-	2.6	-	-	2.6	-	-	2.6	-	2.6
		10,921.1	14.2	-	2.6	-	-	10,937.9	1,764.0	8,850.4	323.5	-	10,937.9
Financial assets carried at amortised cost													
Cash and balances with central banks	3	-	-	1,432.9	-	-	-	1,432.9	-	-	-	1,432.9	1,432.9
Due from banks and other financial institutions	4	-	-	2,001.3	-	-	-	2,001.3	-	570.3	164.2	1,267.3	2,001.8
Reverse repurchase agreements	8	-	-	2,147.2	-	-	-	2,147.2	-	2,152.0	-	-	2,152.0
Loans and advances to customers	9	-	-	314.3	-	-	-	314.3	-	18.4	295.9	-	314.3
		-	-	5,895.7	-	-	-	5,895.7	-	2,740.7	460.1	2,700.2	5,901.0
Other non-financial assets		2,486.1	-	-	-	-	285.7	2,771.8					
Total assets		13,407.2	14.2	5,895.7	2.6	-	285.7	19,605.4					
Financial liabilities measured at fair value													
Derivative financial liabilities	7	8,166.8	-	-	-	-	-	8,166.8	914.3	7,088.1	164.4	-	8,166.8
Financial liabilities held for trading	15	1,154.2	-	-	-	-	-	1,154.2	116.3	602.6	435.3	-	1,154.2
		9,321.0	-	-	-	-	-	9,321.0	1,030.6	7,690.7	599.7	-	9,321.0
Financial liabilities carried at amortised cost													
Due to banks and other financial institutions	16	-	-	-	-	6,669.9	-	6,669.9	-	-	5,581.4	1,089.5	6,670.9
Repurchase agreements	17	-	-	-	-	24.5	-	24.5	-	25.4	-	-	25.4
Certificates of deposit	18	-	-	-	-	156.9	-	156.9	-	-	160.2	-	160.2
Due to customers	19	-	-	-	-	1,457.8	-	1,457.8	-	-	1,457.9	-	1,457.9
Subordinated debt	20	-	-	-	-	684.8	-	684.8	-	708.3	-	-	708.3
		-	-	-	-	8,993.9	-	8 993.9	-	733.7	7,199.5	1,089.5	9,022.7
Other non-financial liabilities		-	-	-	-	-	275.4	275.4					
Total liabilities		9,321.0	-	-	-	8,993.9	275.4	18,590.3					

There were no significant transfers between level 1 and level 2 in the current year.

1 There are no material differences between group and company.

2 Represents cash and cash equivalents.

24. Financial instruments measured at fair value

24.1 Valuation techniques used in determining the fair value of level 2 and level 3 instruments

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities that are classified within levels 2 and 3.

	Valuation basis	Main assumptions	Level 2		Level 3	
			2015	2014	**2015**	2014
			$m	$m	**$m**	$m
Net derivative instruments	Discounted cash flow model (DCF)	Discount rate	**152.8**	121.7	**(222.8)**	(125.4)
	Black Scholes model	Risk-free rate, volatility rate	**(7.6)**	(42.6)	**-**	4.1
	Other	Exchange price difference	**0.3**	-	**-**	-
			145.5	79.1	**(222.8)**	(121.3)
Financial assets held for trading	DCF	Discount rate	**1,419.2**	2,633.3	**71.2**	277.0
	Other	Exchange price difference	**-**	4.5	**-**	-
			1,419.2	2,637.8	**71.2**	277.0
Financial assets designated at fair value through profit and loss	DCF	Discount rate, liquidity discount rate	**-**	-	**7.9**	-
			-	-	**7.9**	-
Financial investments	DCF	Discount rate, liquidity discount rate	**102.9**	-	**2.4**	-
	Other	Net asset value	**-**	-	**-**	16.8
			102.9	-	**2.4**	16.8
Financial liabilities held for trading	DCF	Discount rate	**(621.6)**	(602.6)	**(340.5)**	(435.3)
			1,046.0	2,114.3	**(481.8)**	(262.8)

24.2 Reconciliation of level 3 financial instruments

2015	**Net derivative instruments**	**Financial assets held for trading**	**Designated at fair value through profit or loss**	**Financial investments**	**Financial liabilities held for trading**	**Total**
Group[1]	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Balance at beginning of the year	**(121.3)**	**263.6**	**14.2**	**2.6**	**(435.3)**	**(276.2)**
Total (losses) / gains included in trading revenue	**(154.3)**	**(68.4)**	**(6.3)**	**-**	**41.4**	**(187.6)**
- Realised	**(30.6)**	**7.8**	**(4.7)**	**-**	**44.1**	**16.6**
- Unrealised	**(123.7)**	**(76.2)**	**(1.6)**	**-**	**(2.7)**	**(204.2)**
Loss included in OCI	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Purchases and issues	**(1.0)**	**27.5**	**-**	**-**	**53.4**	**79.9**
Sales and settlements	**49.7**	**(159.6)**	**-**	**-**	**-**	**(109.9)**
Transfers into level 3[2]	**(0.5)**	**8.1**	**-**	**-**	**-**	**7.6**
Transfers out of level 3[3]	**4.6**	**-**	**-**	**-**	**-**	**4.6**
Balance at end of the year	**(222.8)**	**71.2**	**7.9**	**2.4**	**(340.5)**	**(481.8)**

2014	Assets held for sale	Net derivative instruments	Financial assets held for trading	Designated at fair value through profit or loss	Financial investments	Financial liabilities held for trading	Total
Group[1]	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	40.6	(78.1)	438.0	-	0.5	(561.0)	(160.0)
Total (losses) / gains included in trading revenue	(11.2)	(50.0)	11.9	(8.2)	0.1	(50.1)	(107.5)
- Realised	(11.2)	8.9	(3.2)	(0.9)	0.1	(10.6)	(16.9)
- Unrealised	-	(58.9)	15.1	(7.3)	-	(39.5)	(90.6)
Loss included in OCI	-	-	-	-	(0.2)	-	(0.2)
Purchases and issues	-	54.0	32.9	23.0	-	(13.0)	96.9
Sales and settlements	(29.4)	-	(198.1)	(0.6)	-	141.7	(86.4)
Transfers into level 3[2]	-	-	31.1	-	2.2	(5.1)	28.2
Transfers out of level 3[3]	-	(47.2)	(52.2)	-	-	52.2	(47.2)
Balance at end of the year	-	(121.3)	263.6	14.2	2.6	(435.3)	(276.2)

[1] There are no material differences between group and company.
[2] The inputs of certain valuation models became unobservable (e.g. credit curve) and consequently the fair values were transferred into level 3.
[3] The inputs of certain valuation models became observable (e.g. credit curve) and consequently the fair values were transferred out of level 3.

24.3 Sensitivity of level 3 financial assets and liabilities

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management's judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. The table below indicates the effect that a change of unobservable inputs would have on profit or loss at the reporting date.

				Effect recorded in profit or loss			
				2015		2014	
Group[1]	**Valuation basis**	**Main assumptions**	**Variance in input**[2]	**Favourable**	**(Adverse)**	Favourable	(Adverse)
				$m	**$m**	$m	$m
Net derivative instruments	DCF	Discount rate	(1%) - 1%	**14.7**	**(14.7)**	4.7	(4.7)
	Black Scholes model	Risk-free rate, volatility rate	(1%) - 1%	**-**	**-**	0.1	(0.1)
Financial assets held for trading	DCF	Discount rate	(1%) - 1%	**1.7**	**(1.7)**	6.3	(6.3)
Financial assets designated at fair value through profit and loss		Discount rate	(1%) - 1%	**0.1**	**(0.1)**	0.1	(0.1)
Financial investments	Other	Net asset value	(1%) - 1%	**-**	**-**	-	-
Financial liabilities held for trading	DCF	Discount rate	(1%) - 1%	**3.3**	**(3.3)**	6.6	(6.6)

[1] There is not a material difference between group and company.
[2] Indicates the change in unobservable input.

Level 3 instruments contain sensitivities to both observable and non-observable parameters. The table above measures the sensitivity to non-observable parameters only. These positions are risk managed using various instruments of which the associated gains or losses are not reflected in the table above.

25. Reclassification of financial assets

Amounts reclassified from held-for-trading to loans and receivables at amortised cost

Following the amendments to IAS 39 and IFRS 7 'Reclassification of Financial Assets', the group reclassified assets from held-for-trading to loans and receivables for which there was a clear change of intent to hold the assets for the foreseeable future rather than to exit or trade in the short term. The group did not reclassify any such assets during the current or prior year.

	2015	2014
	$m	$m
Carrying value of reclassified financial assets at end of the year	**3.0**	4.4
Fair value of reclassified financial assets at end of the year	**3.0**	4.4

If the reclassification had not been made, the profit and loss would have included an unrealised fair value loss of US$ nil (2014: unrealised fair value loss of US$1.1 million).

The table below sets out the amounts actually recognised in profit or loss:

Period after reclassification		
Net interest income	**-**	2.2
Credit impairment charge	**(0.4)**	(7.5)
Net expense	**(0.4)**	(5.3)

The loans in the portfolio are assessed for credit impairments in terms of the credit policy set out in note 38.4.

26. Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. Certain derivative assets and liabilities met this criteria and US$4,285.7 million was offset in the current year (2014: US$3,956.7 million).

The group also receives and places collateral in the form of cash and marketable securities in respect of derivative transactions, sale and repurchase agreements, and reverse sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA credit support annex. This means that securities received or given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The disclosure set out in the tables below reflects financial assets and liabilities that have been offset in the balance sheet in accordance with IAS 32 as well as financial instruments that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they have been offset in the balance sheet. There are no measurement differences in the assets and liabilities presented below.

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	**Gross**	**Amounts offset in the balance sheet**	**Net amounts included in the balance sheet**	**Amounts that could be offset in the event of counterparty default[1]**		
				Financial instruments	**Cash collateral received / pledged**	**Net amount**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
2015						
Assets in scope						
Derivative financial assets	**10,508.7**	**(4,285.7)**	**6,223.0**	**(3,723.3)**	**(838.3)**	**1,661.4**
Commodity reverse repurchase agreements	**378.9**	**-**	**378.9**	**(319.2)**	**(21.4)**	**38.3**
Reverse repurchase agreements	**2,684.5**	**-**	**2,684.5**	**(2,684.5)**	**-**	**-**
Total financial assets in scope	**13,572.1**	**(4,285.7)**	**9,286.4**	**(6,727.0)**	**(859.7)**	**1,699.7**
Liabilities in scope						
Derivative financial liabilities	**10,212.0**	**(4,285.7)**	**5,926.3**	**(3,723.3)**	**(755.5)**	**1,447.5**
Repurchase agreements	**361.4**	**-**	**361.4**	**(354.7)**	**(6.7)**	**-**
Total financial liabilities in scope	**10,573.4**	**(4,285.7)**	**6,287.7**	**(4,078.0)**	**(762.2)**	**1,447.5**

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Gross	Amounts offset in the balance sheet	Net amounts included in the balance sheet	Amounts that could be offset in the event of counterparty default[1]		
				Financial instruments	Cash collateral received / pledged	Net amount
	$m	$m	$m	$m	$m	$m
2014						
Assets in scope						
Derivative assets	12,182.3	(3,956.7)	8,225.6	(5,710.3)	(733.5)	1,781.8
Commodity reverse repurchase agreements	535.9	-	535.9	(491.1)	(36.7)	8.1
Reverse repurchase agreements	2,147.2	-	2,147.2	(2,112.7)	(34.5)	-
Total financial assets in scope	14,865.4	(3,956.7)	10,908.7	(8,314.1)	(804.7	1,789.9
Liabilities in scope						
Derivative liabilities	12,123.5	(3,956.7)	8,166.8	(5,710.3)	(1,105.2)	1,351.3
Repurchase agreements	24.5	-	24.5	(19.2)	(5.3)	-
Total financial liabilities in scope	12,148.0	(3,956.7)	8,191.3	(5,729.5)	(1,110.5)	1,351.3

[1] Represents netting arrangements that can be applied in the event of default, together with collateral held against exposures.

27. Ordinary share capital

Issued and fully paid

	2015 $m	2014 $m
Issued and fully paid		
1 083 458 353 ordinary shares of US$1 each (2014: 1 083 458 351)	**1,083.5**	1,083.5
	1,083.5	1,083.5

	2015 Number	2014 Number
Reconciliation of ordinary shares issued		
Shares in issue at beginning of the year	**1,083,458,351**	1,083,458,351
- Shares with par value of £1 each	**-**	50,000
- Shares with par value of US$1 each	**1,083,458,351**	1,083,408,351
Issue / conversion of shares	**2**	-
- Shares with par value of £1 each[2]	**-**	(50,000)
- Shares with par value of US$1 each[3]	**2**	50,000
Shares in issue at end of the year	**1,083,458,353**	1,083,408,351
- Shares with par value of £1 each	**-**	-
- Shares with par value of US$1 each	**1,083,458,353**	1,083,408,351

1 The 2 'A' shares were converted to ordinary shares during the course of the year.
2 The 50 000 £1 shares were converted to 50 000 US$1 shares in 2014.
3 On 29 January 2015, the company issued an additional 2 ordinary shares of US$1 each at a share premium of US$150 million per share.

The rights of the ordinary shares and the 'A' ordinary shares were identical with regard to voting rights and amounts receivable upon winding up. The 'A' ordinary shares carried a preferential right to dividends, the extent of which may be determined by the directors at their complete discretion.

In line with the change in the Companies Act 2006, the company's articles have been amended to cancel the existing authorised share capital. The directors are generally and unconditionally authorised at any time during a period of five years to allot or to grant any rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of US$150 million.

28. Contingent liabilities and commitments

28.1 Contingent liabilities

	2015 $m	2014 $m
Guarantees	-	4.7
	-	4.7

Loan commitments that are irrevocable over the life of the facility or revocable only in response to material adverse changes are included in the risk management section in note 38.4.

28.2 Operating lease commitments

The future minimum payments under non-cancellable operating leases are as follows:

	2015 $m	2014 $m
Properties		
Within 1 year	**12.8**	12.8
After 1 year but within 5 years	**39.5**	40.8
After 5 years	**35.6**	46.7
	87.9	100.3
Equipment		
Within 1 year	**0.1**	-
After 1 year but within 5 years	**0.1**	-
	0.2	-

28.3 Legal proceedings and regulatory matters

From time to time, the group is involved in litigation or receives claims arising from the conduct of its business which can require the group to engage in legal and regulatory proceedings in order to enforce contractual rights. Similarly, the group is the subject of various regulatory reviews, requests for information and investigations by various governmental and regulatory bodies related to the group's business operations.

ICBC Standard Bank Plc is defending a class action lawsuit filed against it and a number of other institutions in the Southern District of New York for unquantified damages arising as a result of an alleged conspiracy to manipulate and rig the global benchmarks for physical platinum and palladium prices, as well as the prices of platinum and palladium based financial derivative products. ICBC Standard Bank Plc is also defending a similar complaint filed against it (and various other institutions) by an individual plaintiff.

During the year, ICBC Standard Bank Plc entered into a Deferred Prosecution Agreement (DPA) with the United Kingdom Serious Fraud Office following a judgment delivered by the High Court of England and Wales on 30 November 2015. The DPA relates to allegations that the group failed, contrary to section 7 of the UK Bribery Act 2010, to prevent two senior executives of Stanbic Bank Tanzania (Stanbic) engaging a local partner with the intent that the engagement would induce Tanzanian government representatives into acting partially in awarding a capital raising mandate to the bank and Stanbic. ICBC Standard Bank Plc also agreed with the United States Securities and Exchange Commission to resolve a claim that it acted negligently and did not disclose to US investors the involvement of the local partner in this capital raising mandate. The group has incurred costs of US$40.9 million, included within discontinued operations, related to this matter.

While recognising the inherent difficulty of predicting the outcome of legal and regulatory proceedings, management believe, based upon current knowledge, that the risk of a material adverse effect on the consolidated financial position arising from current legal and regulatory proceedings is remote.

29. Supplementary income statement information

29.1 Interest income[1]

	2015 $m	2014 $m
Group		
Interest on loans and advances and short-term funds	**57.3**	61.5
	57.3	61.5
Comprising:		
Continuing operations	**57.3**	50.7
Discontinued operations	**-**	10.8
	57.3	61.5
Included above are the following amounts receivable from related parties:		
Transactions with subsidiaries and branches of ultimate holding company (ICBC Limited)	**1.1**	-
Transactions with subsidiaries and branches of shareholder with significant influence (SBG)	**10.0**	1.7
	11.1	1.7

[1] All interest income reported above relates to financial assets not carried at fair value through profit or loss.

29.2 Interest expense[2]

	2015 $m	2014 $m
Subordinated debt	**38.0**	38.1
Other interest-bearing liabilities	**23.0**	31.2
	61.0	69.3
Comprising:		
Continuing operations	**61.0**	45.2
Discontinued operations	**-**	24.1
	61.0	69.3
Included above are the following amounts payable to related parties:		
Transactions with subsidiaries and branches of ultimate holding company (ICBC Limited)	**2.6**	-
Transactions with subsidiaries and branches of shareholder with significant influence (SBG)	**15.4**	30.2
	18.0	30.2

[2] All interest expense reported above relates to financial liabilities not carried at fair value through profit or loss.

29.3 Non-interest revenue

	2015 $m	2014 $m
Net fees, commission and revenue sharing arrangements[3]	**24.6**	182.6
Trading revenue	**107.3**	149.1
Commodities	**61.2**	132.1
Debt securities	**31.7**	53.6
Equities	**14.2**	(18.7)
Foreign exchange	**0.2**	(17.9)
Recovery / (loss) on commodity reverse repurchase agreements (note 29.4)	**50.5**	(147.1)
Other revenue	**-**	(1.5)
Net fair value losses on unlisted equities	**-**	(2.4)
Gain on acquisition of subsidiaries	**-**	0.5
Gain on disposal of assets to SBG companies	**-**	0.4
	182.4	183.1
Comprising:		
Continuing operations	**176.4**	(19.2)
Discontinued operations	**6.0**	202.3
	182.4	183.1
Included above are the following amounts with related parties		
Transactions with subsidiaries and branches of ultimate holding company (ICBC Limited)	**0.1**	-
Transactions with subsidiaries and branches of shareholder with significant influence (SBG)	**16.6**	173.6
	16.7	173.6

[3] Revenue sharing arrangements include receipts of US$15.8 million in continuing operations (2014: US$5.3 million) and US$6.0 million in discontinued operations (2014: US$218.8 million). There were no payments in 2015 (2014 continuing US$36.5 million, discontinued US$11.8 million). All of these amounts relate to transactions with SBG companies.

29.4 Recovery / (loss) on commodity reverse repurchase agreements

In 2014, the group recognised a valuation loss on a series of commodity financing arrangements, otherwise referred to as commodity reverse repurchase agreements (repos). This was based on evidence that the financing arrangements were adversely affected by fraudulent activities in respect of physical aluminium held as collateral in bonded warehouses in Shandong Province, China. The group commenced investigations and legal proceedings against several parties with respect to its rights to the physical aluminium and lodged claims under the relevant insurance policies.

In 2015, the group provided for the remaining US$20.0 million of exposure to the repos. Following settlement of the majority of the claim with the insurers on the one portion of the exposure, recoveries of US$70.5 million were recorded in the income statement, leaving the net recovery in 2015 at US$50.5 million (2014: loss of US$147.1 million). As an agreement has not been reached with the remaining insurer for the remaining portion of the claim, no revenue has been recognised as this is not virtually certain to be recovered.

Legal costs of US$4.5 million have been incurred in 2015 (2014: US$5.9 million), with these being reflected within operating expenses.

As part of the legal proceedings which seek to recover the exposure, the group is required by Chinese law to provide security to the court in the form of cash placements amounting to US$35.8 million (2014: US$41.6 million). This security is included in the total of pledged assets and cash margin placements of US$2,378.4 million disclosed in note 40.

29.5 Credit impairment recovery / (charge)

	2015 $m	2014 $m
Specific impairments raised	**(0.3)**	(7.5)
Banks	**(0.3)**	(7.5)
Customers	**-**	-
Portfolio impairments released	**0.7**	3.0
Banks	**-**	-
Customers	**0.7**	3.0
Net credit impairment recovery / (charge) in continuing operations	**0.4**	(4.5)

29.6 Staff costs

	2015 $m	2014 $m
Salaries and allowances	**185.6**	235.8
Other direct staff costs	**23.3**	22.2
Long-term incentive schemes	**10.9**	49.9
Retirement benefit costs	**9.3**	11.6
	229.1	319.5
Comprising:		
Continuing operations	**229.1**	176.4
Discontinued operations	**-**	143.1
	229.1	319.5

29.7 Other operating expenses

	2015 $m	2014 $m
Amortisation of intangible assets	**11.7**	12.9
Impairment of intangible assets	**-**	7.7
Auditors' remuneration	**3.2**	2.3
Audit of ICBC Standard Bank Plc company	**1.5**	1.5
Audit of subsidiaries	**0.4**	0.2
Audit related assurance services	**0.5**	0.4
All other services	**0.8**	0.2
Depreciation	**10.1**	8.7
Computer equipment	**4.0**	3.2
Office equipment	**0.9**	0.4
Furniture and fittings	**5.2**	5.1
Operating lease charges - Properties	**11.2**	16.6
Information technology and communication	**48.2**	42.3
Premises	**11.4**	12.7
Other expenses	**97.3**	90.0
	193.1	193.2
Comprising:		
Continuing operations	**152.2**	135.9
Discontinued operations	**40.9**	57.3
	193.1	193.2

29.8 Indirect taxation

	2015 $m	2014 $m
Value added tax	**4.8**	3.3
	4.8	3.3
Comprising:		
Continuing operations	**4.8**	3.0
Discontinued operations	**-**	0.3
	4.8	3.3

29.9 Long term incentive schemes

29.9.1 Quanto stock unit plan

Since 2007, the group has operated a deferred incentive arrangement in the form of the quanto stock unit plan. Qualifying employees, with an incentive award above a set threshold are awarded quanto stock units denominated in US$ for nil consideration. For those in issue as of December 2015, the value is based on the Standard Bank Group Limited (SBG) share price and moves in parallel to the change in price of the SBG shares listed on the Johannesburg Stock Exchange. The awards made in 2016 will be based on the ICBC share price as quoted on the Hong Kong Stock Exchange. The cost of the award is accrued over the vesting period (generally three years), commencing the year in which these are awarded and communicated to employees. Awards prior to 2011 can be exercised within 10 years, 2011 awards can be exercised within the longest vesting period and awards after 2011 will be exercised on vesting. Units granted since 1 January 2012 do not allow for incremental payments to employees in service for 4 years. A description of the underlying accounting principles is disclosed in accounting policy 15 'Long-term incentive schemes’.

The provision in respect of liabilities under the scheme amounts to US$23.1 million as at 31 December 2015 (2014: US$47.4 million), and the charge for the year is US$10.9 million (2014: US$49.6 million). The change in liability due to the change in the SBG share price is hedged through the use of equity options designated as a cash flow hedge.

Quanto stock unit plan Units outstanding	2015 Units	2014 Units
Units outstanding at beginning of the year	**328,681**	794,889
Granted	**65,101**	317,583
Transfers in	**-**	62,191
Transfers out	**-**	(306,074)
Exercised	**(194,715)**	(498,759)
Leavers / lapses	**(6,658)**	(41,149)
Units outstanding at end of the year	**192,409**	328,681
Of which relates to key management	**61,186**	104,748

The following quanto stock units granted to employees had not been exercised at 31 December:

Expiry year[1]	2015 Units	2014 Units
2015	**-**	22,864
2016	**17,565**	82,287
2017	**46,386**	88,229
2018	**82,855**	135,301
2019	**45,603**	-
	192,409	328,681

[1] The units vest at various intervals between the reporting date and the expiry period.

The unrecognised compensation cost related to the unvested quanto awards amount to US$19.1 million (2014: US$24.3 million). This represents the accumulated amount deferred on awards issued and approved. The vesting of these awards is expected to occur as follows:

Vesting of unrecognised compensation costs	2015 $m	2014 $m
Year ending 31 December 2015	**-**	16.5
Year ending 31 December 2016	**6.4**	6.1
Year ending 31 December 2017	**5.3**	1.6
Year ending 31 December 2018	**3.8**	0.1
Year ending 31 December 2019	**3.6**	-
	19.1	24.3

Quanto stock units of US$10.9 million have been approved for issue in March 2016. These awards will have four vesting periods: 6 months, 12 months, 24 months and 36 months.

29.9.2 SBG equity scheme

Certain employees are granted share options under the SBG equity-settled share-based scheme. The outstanding award value under the SBG share scheme amounts to US$9.4 million (2014: US$9.4 million), and the amount charged for the year is US$ nil (2014: US$0.3 million).

Options outstanding	2015 Units	2014 Units
Options outstanding at beginning of the year	**492,152**	1,604,625
Transfers in	**102,815**	9,400
Transfers out	**-**	(537,525)
Exercised	**(138,195)**	(455,948)
Leavers / lapses	**(268)**	(128,400)
Options outstanding at end of the year	**456,504**	492,152
Of which relates to key management	**277,658**	226,876

Share options were exercised regularly throughout the year, other than during closed periods. The average share price for the year was ZAR150.08

The following options granted to employees had not been exercised at 31 December:

Options expiry period	Option price range per share (ZAR)	2015 Units	2014 Units
Year to December 2016	79.50 - 81.00	**42,500**	46,500
Year to December 2017	92.05 - 107.91	**50,000**	58,850
Year to December 2018	89.00 - 92.00	**55,625**	77,000
Year to December 2019	62.39 - 65.00	**91,500**	116,050
Year to December 2020	111.94	**98,126**	90,626
Year to December 2021	98.80	**118,753**	103,126
		456,504	492,152

29.10 Directors' emoluments

Executive directors[1,2]	2015 $m	2014 $m
Emoluments of directors in respect of services rendered		
Emoluments	**3.1**	1.8
Proceeds from exercise of share-based incentives	**2.9**	1.5
Pension contribution	**-**	0.1
Highest paid director		
Emoluments	**1.4**	0.7
Proceeds from exercise of share-based incentives	**2.9**	1.2

[1] Compensation relates to services rendered to the group.
[2] The number of directors for whom pension contributions were paid was 2 during the year and 1 at year end.

Long-term benefits under the quanto stock unit plan	2015 Units	2014 Units
Number of units brought forward	**41,083**	31,512
Issued during the year	**-**	22,017
New directors existing units	**-**	33,610
Leavers	**(7,473)**	(23,548)
Exercised	**(19,378)**	(22,508)
As at 31 December	**14,232**	41,083

Long-term benefits under the SBG equity-settled share-based scheme	2015 Units	2014 Units
Number of options brought forward	**168,126**	170,050
Issued during the year	**-**	55,200
New directors existing units	**-**	143,750
Leavers	**(24,376)**	(120,200)
Exercised	**-**	(80,674)
As at 31 December	**143,750**	168,126

29.11 Company profits

As permitted by section 408 of the Companies Act 2006, the company's statement of comprehensive income has not been presented. The company loss of US$266.4 million (2014: US$349.8 million loss) has been included in the consolidated income statement.

29.12 Dividends

No dividends were declared in 2015 (2014: nil).

30. Income tax charge

	2015 $m	2014 $m
Current tax charge	**(20.0)**	(1.3)
UK deferred tax	**(20.0)**	-
Overseas tax	**0.5**	(1.0)
Overseas deferred tax	**(0.5)**	(0.3)
Prior years		
Overseas tax	**1.4**	-
Overseas deferred tax	**(1.2)**	-
Total tax charge	**(19.8)**	(1.3)
Comprising:		
Continuing operations	**(19.8)**	(4.3)
Discontinued operations (note 1)	**-**	3.0
	(19.8)	(1.3)

UK tax rate reconciliation

The UK corporation tax rate for 2015 was 20.25% (2014: 21.5%). The difference between the actual tax charge and the tax charge that would result from applying standard UK corporation tax rate to the group's loss before tax is explained below.

	2015 $m	2014 $m
Loss before taxation		
Continuing operations	**(213.0)**	(333.5)
Discontinued operations (note 1)	**(34.9)**	(9.8)
	(247.9)	(343.3)
Tax credit at the standard rate of 20.25% (2014: 21.5%)	**50.2**	73.8
Effects of:		
Adjustment to tax in respect of prior years	**0.2**	-
Different tax rates in other countries	**(0.5)**	(0.2)
Non-deductible expenses	**(8.1)**	(3.5)
Deferred tax asset written off	**(20.0)**	-
Overseas withholding tax	**0.7**	(2.9)
Disposal of excluded business	**-**	3.2
Tax losses for which no deferred tax asset was recognised	**(42.3)**	(71.7)
Tax charge included in the income statement	**(19.8)**	(1.3)
Effective tax rate	**(8.0%)**	(0.4%)

31. Discontinued operations

On 8 November 2013, SBG announced its intention to sell a majority interest in Standard Bank Plc. On 29 January 2014, SBG and ICBC entered into a sale and purchase agreement whereby ICBC agreed to acquire 60% of Standard Bank Plc. Investment Banking, Transactional Products and Services, Principal Investment Management and the Service Unit businesses, were specifically excluded from the transaction and these assets were classified as a disposal group held for sale. On 31 December 2014 the remaining assets included in the disposal group were transferred to SBG companies. The discontinued operations are disclosed in note 1.

32. Notes to the cash flow statement

32.1 (Increase) / decrease in income-earning assets

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Financial assets held for trading	**251.6**	1,721.5	**222.0**	1,719.0
Financial assets designated at fair value through profit and loss	**6.3**	-	**6.3**	-
Loans and advances	**(199.2)**	1,686.3	**(201.2)**	1,705.3
Assets held for sale to group companies	**-**	484.6	**-**	482.9
Other assets	**(773.3)**	(290.1)	**(742.6)**	(334.1)
Financial investments	**(101.8)**	(14.2)	**(101.8)**	(14.2)
	(816.4)	3,588.1	**(817.3)**	3,558.9

32.2 Increase / (decrease) in deposits and other liabilities

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Deposits and current accounts	**2,988.4**	(1,918.6)	**3,000.5**	(1,918.5)
Net derivative instruments	**(229.3)**	(68.5)	**(228.5)**	(64.9)
Trading liabilities	**(169.9)**	(558.8)	**(169.9)**	(558.8)
Other liabilities	**(124.5)**	(271.8)	**(114.2)**	(262.2)
	2,464.7	(2,817.7)	**2,487.9**	(2,804.4)

32.3 Corporate and withholding tax paid

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Amounts unpaid at beginning of the year	**(6.0)**	(8.2)	**(1.6)**	(0.1)
Income tax charge	**(19.8)**	(1.3)	**(19.7)**	(3.4)
Acquisition of subsidiary	**-**	3.6	**-**	-
Non-cash movements	**23.5**	(0.9)	**20.6**	(0.3)
Amounts unpaid at end of the year	**(1.1)**	6.0	**(0.3)**	1.6
	(3.4)	(0.8)	**(1.0)**	(2.2)

32.4 Acquisition of subsidiaries

Standard NY Holdings, Inc.

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Cash and balances with central banks	-	11.4	-	11.4
Other assets	-	10.6	-	10.6
Current tax asset	-	3.6	-	3.6
Deferred tax asset	-	3.5	-	3.5
Property and equipment	-	0.2	-	0.2
Total assets acquired	-	29.3	-	29.3
Other liabilities	-	(15.3)	-	(15.3)
Net asset value	-	14.0	-	14.0
Negative goodwill	-	(0.5)	-	(0.5)
Cash consideration	-	13.5	-	13.5

32.5 Cash and cash equivalents

	Group		Company	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Balances with central banks	**3,254.2**	1,432.9	**3,254.2**	1,432.9
Other cash equivalents[1]	**1,222.0**	1,267.3	**1,135.4**	1,152.1
Cash and cash equivalents at end of the year	**4,476.2**	2,700.2	**4,389.6**	2,585.0

[1] Other cash equivalents include overnight placements that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

33. Related party transactions

33.1 Subsidiaries

The subsidiary companies listed in note 14 comprise a limited part of the group's activities and transactions with the entities are not significant. The principal nature of the transactions are payments for business introduced and trading facilitation activities. Intercompany transactions, balances and unrealised surpluses and deficits are eliminated on consolidation.

33.2 Fellow subsidiaries

The group entered into transactions with other entities forming part of the ICBC Group and Standard Bank Group. The transactions were entered into in the course of banking operations and were conducted in the ordinary course of business at arm's length. These transactions include funding and acceptance of interbank deposits, lending, derivatives and correspondent banking transactions. The transactions were priced at the prevailing market rates at the time of the transactions. A significant portion of this activity reflects amounts received under transfer pricing arrangements as well as the placement of excess liquidity by other entities with the company. The extent of these activities is presented in note 16 and 18. As part of its normal activities, the group also advanced funds to other entities within the ICBC and Standard Bank groups, the extent of which is disclosed in note 4 and 8. Balances arising from derivative transactions are shown in note 7.1. Disclosure of related party balances and transactions are included in all relevant notes.

33.3 Disposal of excluded businesses

All activities that were previously performed by the group which do not form part of the Global Markets business were removed from the group and transferred to SBG entities in 2014. These businesses were transferred at fair value and the group recognised a US$0.4 million gain on disposal of the excluded business to SBG entities in the prior year. The group also entered into equity risk mitigation transactions with SBSA, of which US$7.9 million remains outstanding as at the reporting date. Under the transactions, SBSA provides risk mitigation to the group. Under IFRS, the equity exposures are not derecognised, with the liabilities recognised on the balance sheet.

33.4 Key management compensation

Key management comprises directors of ICBCS and the members of the governance committee of the principal operating entities.

	2015 $m	2014 $m
Salaries and other short-term benefits	12.4	5.9
Long-term incentives recognised in the income statement	3.5	6.6
Amounts included in the income statement	**15.9**	12.5
Proceeds on exercise of long-term incentives.	10.3	9.0

There were no other transactions with key management in 2015 (2014: nil).

The average key management consists of 15 employees (2014: 12 employees).

34. Pensions and other post-retirement benefits

The group makes defined contributions to employees' pension providers. The assets of these providers are held separately from the company. Included in staff costs are contributions paid for pensions and other post-retirement benefits which amounted to US$9.3 million (2014: US$11.6 million). There were no outstanding contributions at the end of the reporting period (2014: nil).

35. Subsequent events

35.1 Subordinated debt

The group tendered the step-up perpetual subordinated notes for redemption in 2015, with sufficient noteholders voting in favour. These notes have been redeemed in January 2016 at a premium of US$2.1 million. This premium, along with fees of US$0.8 million, has been accrued in 2015. These amounts and the principal of US$137.9 million were paid in January 2016.

36. Reclassification and restatements

The reclassifications have been made to align with ICBC reporting and require no adjustment to shareholder's equity or the income statement.

Group - 31 December 2014	As previously reported	Reverse repurchase agreements[1]	Non-banking financial institutions[2]	Commodities[3]	Pledged assets[4]	Investments designated at fair value[5]	Intangible assets[6]	Certificates of deposit[7]	As currently reported	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	
Assets										
Balances with central banks	1,432.9	-	-	-	-	-	-	-	1,432.9	Cash and balances with central banks
Loans and advances to banks	2,697.8	(1,347.9)	651.4	-	-	-	-	-	2,001.3	Due from banks and other financial institutions
Trading assets	4,125.1	-	-	(1,429.6)	-	-	-	-	2,695.5	Financial assets held for trading
Financial assets designated at fair value through profit and loss	-	-	-	-	-	14.2	-	-	14.2	Financial assets designated at fair value through profit and loss
Derivative assets	8,225.6	-	-	-	-	-	-	-	8,225.6	Derivative financial assets
Reverse repurchase agreements	-	2,147.2	-	-	-	-	-	-	2,147.2	Reverse repurchase agreements
Loans and advances to customers	1,765.0	(799.3)	(651.4)	-	-	-	-	-	314.3	Loans and advances to customers
Financial investments	16.8	-	-	-	-	(14.2)	-	-	2.6	Financial investments
Property and equipment	29.2	-	-	-	-	-	-	-	29.2	Property and equipment
Deferred tax asset	24.7	-	-	-	-	-	-	-	24.7	Deferred income tax assets
Other assets	220.1	-	-	1,429.6	1,056.5	-	11.7	-	2,717.9	Other assets
Pledged assets	1,056.5	-	-	-	(1,056.5)	-	-	-	-	Pledged assets
Intangible assets	11.7	-	-	-	-	-	(11.7)	-	-	Intangible assets
Asset reclassification	19,605.4	-	-	-	-	-	-	-	19,605.4	
Liabilities										
Trading liabilities	1,154.2	-	-	-	-	-	-	-	1,154.2	Financial liabilities held for trading
Derivative liabilities	8,166.8	-	-	-	-	-	-	-	8,166.8	Derivative financial liabilities
Deposits from banks	6,127.4	(5.1)	704.5	-	-	-	-	(156.9)	6,669.9	Due to banks and other financial institutions
Repurchase agreements	-	24.5	-	-	-	-	-	-	24.5	Repurchase agreements
Certificates of deposit	-	-	-	-	-	-	-	156.9	156.9	Certificates of deposit
Deposits from customers	2,181.7	(19.4)	(704.5)	-	-	-	-	-	1,457.8	Due to customers
Current tax liability	6.0	-	-	-	-	-	-	-	6.0	Income tax payable
Subordinated debt	684.8	-	-	-	-	-	-	-	684.8	Subordinated debt
Other liabilities	269.4	-	-	-	-	-	-	-	269.4	Other liabilities
Liability reclassification	18,590.3	-	-	-	-	-	-	-	18,590.3	

1 **Reverse repurchase agreements and repurchase agreements are now presented as separate line items on the balance sheet.**
2 **All balances relating to non-banking financial institutions were previously grouped within loans to customers and deposits from customers. These balances are now included within amounts due from / (to) banks and other financial institutions.**
3 **All commodity balances are reclassified to other assets.**
4 **No separate disclosure of pledged assets on the face of the balance sheet. These balances are included in note 40.**
5 **New line item for financial instruments designated at fair value through profit and loss.**
6 **Intangible asset balances are reclassified to other assets.**
7 **Certificates of deposit which were previously contained within the balance of deposits from banks and customers are now presented in a separate line on the face of the balance sheet**

Company - 31 December 2014	As previously reported	Reverse repurchase agreements[1]	Non-banking financial institutions[2]	Commodities[3]	Pledged assets[4]	Investments designated at fair value[5]	Intangible assets[6]	Certificates of deposit[7]	As currently reported	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	
Assets										
Balances with central banks	1,432.9	-	-	-	-	-	-	-	1,432.9	Cash and balances with central banks
Loans and advances to banks	2,569.4	(1,347.9)	707.6	-	-	-	-	-	1,929.1	Due from banks and other financial institutions
Trading assets	4,123.6	-	-	(1,425.1)	-	-	-	-	2,698.5	Financial assets held for trading
Financial assets designated at fair value through profit and loss	-	-	-	-	-	14.2	-	-	14.2	Financial assets designated at fair value through profit and loss
Derivative assets	8,229.1	-	-	-	-	-	-	-	8,229.1	Derivative financial assets
Loans and advances to customers	1,805.6	(799.3)	(707.6)	-	-	-	-	-	298.7	Loans and advances to customers
Reverse repurchase agreements	-	2,147.2	-	-	-	-	-	-	2,147.2	Reverse repurchase agreements
Financial investments	16.8	-	-	-	-	14.2	-	-	2.6	Financial investments
Property and equipment	19.9	-	-	-	-	-	-	-	19.9	Property and equipment
Deferred tax asset	20.0	-	-	-	-	-	-	-	20.0	Deferred income tax assets
Other assets	214.8	-	-	1,425.1	1,056.5	-	11.7	-	2,708.1	Other assets
Pledged assets	1,056.5	-	-	-	(1,056.5)	-	-	-	-	Pledged assets
Intangible assets	11.7	-	-	-	-	-	(11.7)	-	-	Intangible assets
Investment in group companies	29.5	-	-	-	-	-	-	-	29.5	Investment in group companies
Asset reclassification	19,529.8	-	-	-	-	-	-	-	19,529.8	
Liabilities										
Trading liabilities	1,154.2	-	-	-	-	-	-	-	1,154.2	Financial liabilities held for trading
Derivative liabilities	8,169.7	-	-	-	-	-	-	-	8,169.7	Derivative financial liabilities
Deposits from banks	6,127.4	(5.1)	704.5	-	-	-	-	(156.9)	6,669.9	Due to banks and other financial institutions
Repurchase agreements	-	24.5	-	-	-	-	-	-	24.5	Repurchase agreements
Certificates of deposit	-	-	-	-	-	-	-	156.9	156.9	Certificates of deposit
Deposits from customers	2,181.8	(19.4)	(704.5)	-	-	-	-	-	1,457.9	Due to customers
Current tax liability	-	-	-	-	-	-	-	-	-	Income tax payable
Subordinated debt	684.8	-	-	-	-	-	-	-	684.8	Subordinated debt
Other liabilities	267.1	-	-	-	-	-	-	-	267.1	Other liabilities
Liability reclassification	18,585.0	-	-	-	-	-	-	-	18,585.0	

1 Reverse repurchase agreements and repurchase agreements are now presented as separate line items on the balance sheet.
2 All balances relating to non-banking financial institutions were previously grouped within loans to customers and deposits from customers. These balances are now included within amounts due from / (to) banks and other financial institutions.
3 All commodity balances are reclassified to other assets.
4 No separate disclosure of pledged assets on the face of the balance sheet. These balances are included in note 40.
5 New line item for financial instruments designated at fair value through profit and loss.
6 Intangible asset balances are reclassified to other assets.
7 Certificates of deposit which were previously contained within the balance of deposits from banks and customers are now presented in a separate line on the face of the balance sheet.

Group - 31 December 2013	As previously reported	Reverse repurchase agreements[1]	Non-banking financial institutions[2]	Commodities[3]	Pledged assets[4]	Investments designated at fair value[5]	Intangible assets[6]	Certificates of deposit[7]	As currently reported	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	
Assets										
Balances with central banks	1,343.8	-	-	-	-	-	-	-	1,343.8	Cash and balances with central banks
Loans and advances to banks	3,013.9	(1,956.7)	739.4	-	-	-	-	-	1,796.6	Due from banks and other financial institutions
Trading assets	5,846.6	-	-	(1,448.8)	-	-	-	-	4,397.8	Financial assets held for trading
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-	Financial assets designated at fair value through profit and loss
Derivative assets	4,071.1	-	-	-	-	-	-	-	4,071.1	Derivative financial assets
Loans and advances to customers	-	3,526.3	-	-	-	-	-	-	3,526.3	Loans and advances to customers
Reverse repurchase agreements	2,764.5	(1,569.6)	(739.4)	-	-	-	-	-	455.5	Reverse repurchase agreements
Financial investments	2.8	-	-	-	-	-	-	-	2.8	Financial investments
Property and equipment	22.8	-	-	-	-	-	-	-	22.8	Property and equipment
Deferred tax asset	20.7	-	-	-	-	-	-	-	20.7	Deferred income tax assets
Other assets	352.6	-	-	1,448.8	623.3	-	32.3	-	2,457.0	Other assets
Pledged assets	623.3	-	-	-	(623.3)	-	-	-	-	Pledged assets
Intangible assets	32.3	-	-	-	-	-	(32.3)	-	-	Intangible assets
Assets held for sale to group companies	484.6	-	-	-	-	-	-	-	484.6	Assets held for sale to group companies
Asset reclassification	18,579.0	-	-	-	-	-	-	-	18,579.0	
Liabilities										
Trading liabilities	1,713.0	-	-	-	-	-	-	-	1,713.0	Financial liabilities held for trading
Derivative liabilities	4,049.8	-	-	-	-	-	-	-	4,049.8	Derivative financial liabilities
Deposits from banks	7,596.4	(426.9)	801.6	-	-	-	-	(287.7)	7,683.4	Due to banks and other financial institutions
Repurchase agreements	-	679.9	-	-	-	-	-	-	679.9	Repurchase agreements
Certificates of deposit	-	-	-	-	-	-	-	293.0	293.0	Certificates of deposit
Deposits from customers	2,633.9	(253.0)	(801.6)	-	-	-	-	(5.3)	1,574.0	Due to customers
Current tax liability	8.2	-	-	-	-	-	-	-	8.2	Income tax payable
Subordinated debt	709.8	-	-	-	-	-	-	-	709.8	Subordinated debt
Other liabilities	479.4	-	-	-	-	-	-	-	479.4	Other liabilities
Liability reclassification	17,190.5	-	-	-	-	-	-	-	17,190.5	

1 Reverse repurchase agreements and repurchase agreements are now presented as separate line items on the balance sheet.
2 All balances relating to non-banking financial institutions were previously grouped within loans to customers and deposits from customers. These balances are now included within amounts due from / (to) banks and other financial institutions.
3 All commodity balances are reclassified to other assets.
4 No separate disclosure of pledged assets on the face of the balance sheet. These balances are included in note 40.
5 New line item for financial instruments designated at fair value through profit and loss.
6 Intangible asset balances are reclassified to other assets.
7 Certificates of deposit which were previously contained within the balance of deposits from banks and customers are now presented in a separate line on the face of the balance sheet

Company - 31 December 2013	As previously reported	Reverse repurchase agreements[1]	Non-banking financial institutions[2]	Commodities[3]	Pledged assets[4]	Investments designated at fair value[5]	Intangible assets[6]	Certificates of deposit[7]	As currently reported	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	
Assets										
Balances with central banks	1,343.8	-	-	-	-	-	-	-	1,343.8	Cash and balances with central banks
Loans and advances to banks	2,926.8	(1,956.7)	778.5	-	-	-	-	-	1,748.6	Due from banks and other financial institutions
Trading assets	5,842.6	-	-	(1,420.1)	-	-	-	-	4,422.5	Financial assets held for trading
Financial assets designated at fair value through profit and loss	-	-	-	-	-		-	-	-	Financial assets designated at fair value through profit and loss
Derivative assets	4,075.1	-	-	-	-	-	-	-	4,075.1	Derivative financial assets
Loans and advances to customers	2,803.6	(1,569.6)	(778.5)	-	-	-	-	-	455.5	Loans and advances to customers
Reverse repurchase agreements	-	3,526.3	-	-	-	-	-	-	3,526.3	Reverse repurchase agreements
Financial investments	2.8	-	-	-	-	-	-	-	2.8	Financial investments
Property and equipment	22.5	-	-	-	-	-	-	-	22.5	Property and equipment
Deferred tax asset	20.0	-	-	-	-	-	-	-	20.0	Deferred income tax assets
Other assets	313.9	-	-	1,420.1	623.3	-	32.3	-	2,389.6	Other assets
Pledged assets	623.3	-	-	-	(623.3)	-	-	-	-	Pledged assets
Intangible assets	32.3	-	-	-	-	-	(32.3)	-	-	Intangible assets
Investment in group companies	16.0	-	-	-	-	-	-	-	16.0	Investment in group companies
Assets held for sale to group companies	482.9	-	-	-	-	-	-	-	482.9	Assets held for sale to group companies
Asset reclassification	18,505.6	-	-	-	-	-	-	-	18,505.6	
Liabilities										
Trading liabilities	1,713.0	-	-	-	-	-	-	-	1,713.0	Financial liabilities held for trading
Derivative liabilities	4,053.6	-	-	-	-	-	-	-	4,053.6	Derivative financial liabilities
Deposits from banks	7,596.4	(426.9)	801.6	-	-	-	-	(287.7)	7,683.4	Due to banks and other financial institutions
Repurchase agreements	-	679.9	-	-	-	-	-	-	679.9	Repurchase agreements
Certificates of deposit	-	-	-	-	-	-	-	293.0	293.0	Certificates of deposit
Deposits from customers	2,633.9	(253.0)	(801.6)	-	-	-	-	(5.3)	1,574.0	Due to customers
Subordinated debt	709.8	-	-	-	-	-	-	-	709.8	Subordinated debt
Other liabilities	477.1	-	-	-	-	-	-	-	477.1	Other liabilities
Liability reclassification	17,183.8	-	-	-	-	-	-	-	17,183.8	

1 Reverse repurchase agreements and repurchase agreements are now presented as separate line items on the balance sheet.
2 All balances relating to non-banking financial institutions were previously grouped within loans to customers and deposits from customers. These balances are now included within amounts due from / (to) banks and other financial institutions.
3 All commodity balances are reclassified to other assets.
4 No separate disclosure of pledged assets on the face of the balance sheet. These balances are included in note 40.
5 New line item for financial instruments designated at fair value through profit and loss.
6 Intangible asset balances are reclassified to other assets.
7 Certificates of deposit which were previously contained within the balance of deposits from banks and customers are now presented in a separate line on the face of the balance sheet.

37. Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

Group – 31 December 2015	Repayable on demand	Maturing within 1 month	Maturing after 1 month but within 3 months	Maturing after 3 months but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing after 5 years	Undated	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									
Cash and balances with central banks	3,254.2	-	-	-	-	-	-	-	3,254.2
Due from banks and other financial institutions	1,315.5	1.2	2.6	34.9	23.0	133.7	-	-	1,510.8
Financial assets held for trading	74.5	131.3	137.3	35.4	116.1	1,538.2	391.1	20.0	2,443.9
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	7.9	7.9
Derivative financial assets	104.8	592.4	994.6	697.6	999.6	2,223.8	610.2	-	6,223.0
Reverse repurchase agreements	977.4	1,031.9	254.4	80.3	294.0	46.5	-	-	2,684.5
Loans and advances to customers	251.4	9.0	8.3	15.2	94.0	47.8	1.4	-	427.1
Financial investments	-	-	-	-	62.1	40.8	-	2.4	105.3
Property and equipment	-	-	-	-	-	-	-	21.1	21.1
Deferred income tax assets	-	-	-	-	-	-	-	21.0	21.0
Income tax receivable	-	-	-	-	-	-	-	1.1	1.1
Other assets	120.9	-	-	-	-	3.0	6.6	3,325.0	3,456.6
Total assets	6,098.7	1,765.8	1,397.2	863.4	1,588.8	4,033.8	1,009.3	3,380.5	20,137.5
Liabilities									
Financial liabilities held for trading	8.3	9.1	159.5	10.5	145.8	382.8	268.3	-	984.3
Derivative financial liabilities	78.8	439.1	802.3	773.8	918.7	2,096.4	817.2	-	5,926.3
Due to banks and other financial institutions	3,864.8	3,441.4	1,913.9	625.7	372.2	21.6	19.6	-	10,259.2
Repurchase agreements	91.1	93.2	30.5	41.4	105.2	-	-	-	361.4
Certificates of deposit	-	-	-	35.5	-	61.9	-	-	97.4
Due to customers	393.6	89.5	52.4	16.3	20.1	1.5	-	-	573.4
Subordinated debt	-	-	-	-	144.7	538.2	-	-	682.9
Other liabilities	93.9	-	-	-	-	2.9	6.2	74.6	177.6
Total liabilities	4,530.5	4,072.3	2,958.6	1,503.2	1,706.7	3,105.3	1,111.3	74.6	19,062.5

Company – 31 December 2015	Repayable on demand	Maturing within 1 month	Maturing after 1 month but within 3 months	Maturing after 3 months but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing after 5 years	Undated	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									
Cash and balances with central banks	3,254.2	-	-	-	-	-	-	-	3,254.2
Due from banks and other financial institutions	1,259.9	1.2	2.6	34.9	24.5	133.7	-	-	1,456.8
Financial assets held for trading	74.7	131.3	137.3	35.4	116.1	1,538.1	391.1	52.5	2,476.5
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	7.9	7.9
Derivative financial assets	104.9	590.4	994.7	699.0	999.6	2,223.7	610.3	-	6,222.6
Reverse repurchase agreements	977.3	1,032.0	254.4	80.3	294.0	46.5	-	-	2,684.5
Loans and advances to customers	236.7	9.0	8.3	15.2	94.0	47.8	1.4	-	412.4
Financial investments	-	-	-	-	62.1	40.8	-	2.4	105.3
Property and equipment	-	-	-	-	-	-	-	12.3	12.3
Deferred income tax assets	-	-	-	-	-	-	-	-	-
Income tax received	-	-	-	-	-	-	-	0.3	0.3
Other assets	115.9	-	-	-	-	3.0	6.6	3,289.1	3,414.6
Investment in group companies	-	-	-	-	-	-	-	29.5	29.5
Total assets	6,023.6	1,763.9	1,397.3	864.8	1,590.3	4,033.6	1,009.4	3,394.0	20,076.9
Liabilities									
Financial liabilities held for trading	8.3	9.1	159.5	10.5	145.8	382.8	268.3	-	984.3
Derivative financial liabilities	78.8	437.7	802.3	774.9	918.8	2,096.3	817.2	-	5,926.0
Due to banks and other financial institutions	3,864.8	3,441.4	1,913.9	625.7	372.2	21.6	19.6	-	10,259.2
Repurchase agreements	91.1	93.2	30.5	41.4	105.2	-	-	-	361.4
Certificates of deposit	-	-	-	35.5	-	61.9	-	-	97.4
Due to customers	393.6	89.5	52.4	16.3	20.1	1.5	-	-	573.4
Income tax payable	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	144.7	538.2	-	-	682.9
Other liabilities	104.2	-	-	-	-	2.9	6.2	69.3	182.6
Total liabilities	4,540.8	4,070.9	2,958.6	1,504.3	1,706.8	3,105.2	1,111.3	69.3	19,067.2

Group – 31 December 2014	Repayable on demand	Maturing within 1 month	Maturing after 1 month but within 3 months	Maturing after 3 months but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing after 5 years	Undated	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									
Cash and balances with central banks	1,432.9	-	-	-	-	-	-	-	1,432.9
Due from banks and other financial institutions	1,010.5	957.5	7.2	19.3	1.4	5.4	-	-	2,001.3
Financial assets held for trading	1.3	293.1	-	592.3	97.8	1,666.2	-	44.8	2,695.5
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	14.2	14.2
Derivative financial assets	0.3	694.6	1,136.6	1,206.4	1,419.5	3,127.2	641.0	-	8,225.6
Reverse repurchase agreements	706.8	1,022.5	334.9	-	19.3	63.7	-	-	2,147.2
Loans and advances to customers	280.5	6.9	1.9	1.2	23.8	-	-	-	314.3
Financial investments	-	-	-	-	-	-	-	2.6	2.6
Property and equipment	-	-	-	-	-	-	-	29.2	29.2
Deferred income tax assets	-	-	-	-	-	-	-	24.7	24.7
Other assets	-	-	-	-	-	-	-	2,717.9	2,717.9
Total assets	3,432.3	2,974.6	1,480.6	1,819.2	1,561.8	4,862.5	641.0	2,833.4	19,605.4
Liabilities									
Financial liabilities held for trading	2.3	71.2	-	132.8	130.1	817.8	-	-	1,154.2
Derivative financial liabilities	17.5	645.3	1,315.3	1,088.2	1,409.1	3,051.6	639.8	-	8,166.8
Due to banks and other financial institutions	2,288.4	1,774.0	864.9	1,509.0	160.4	49.6	23.6	-	6,669.9
Repurchase agreements	-	24.5	-	-	-	-	-	-	24.5
Certificates of deposit	-	10.0	4.5	8.0	36.3	98.1	-	-	156.9
Due to customers	818.6	639.2	-	-	-	-	-	-	1,457.8
Income tax payable	-	-	-	-	-	-	-	6.0	6.0
Subordinated debt	-	-	8.2	-	-	137.9	538.7	-	684.8
Other liabilities	-	-	-	-	251.3	18.1	-	-	269.4
Total liabilities	3,126.8	3,164.2	2,192.9	2,738.0	1,987.2	4,173.1	1,202.1	6.0	18,590.3

Company – 31 December 2014	Repayable on demand	Maturing within 1 month	Maturing after 1 month but within 3 months	Maturing after 3 months but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing after 5 years	Undated	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									
Cash and balances with central banks	1,432.9	-	-	-	-	-	-	-	1,432.9
Due from banks and other financial institutions	938.3	957.5	7.2	19.3	1.4	5.4	-	-	1,929.1
Financial assets held for trading	1.3	290.2	566.2	-	97.8	1,666.2	-	76.8	2,698.5
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	14.2	14.2
Derivative financial assets	0.3	696.2	1,138.5	1,206.4	1,419.4	3,127.2	641.1	-	8,229.1
Reverse repurchase agreements	706.8	1,022.5	334.9	-	19.3	63.7	-	-	2,147.2
Loans and advances to customers	264.9	6.9	1.9	1.2	23.8	-	-	-	298.7
Financial investments	-	-	-	-	-	-	-	2.6	2.6
Property and equipment	-	-	-	-	-	-	-	19.9	19.9
Deferred income tax assets	-	-	-	-	-	-	-	20.0	20.0
Other assets	-	-	-	-	-	-	-	2,708.1	2,708.1
Investment in group companies	-	-	-	-	-	-	-	29.5	29.5
Total assets	3,344.5	2,973.3	2,048.7	1,226.9	1,561.7	4,862.5	641.1	2,871.1	19,529.8
Liabilities									
Financial liabilities held for trading	2.3	71.2	-	132.8	130.1	817.8	-	-	1,154.2
Derivative financial liabilities	17.5	647.9	1,315.8	1,088.2	1,409.0	3,051.6	639.7	-	8,169.7
Due to banks and other financial institutions	2,288.4	1,774.0	864.9	1,509.0	160.4	49.6	23.6	-	6,669.9
Repurchase agreements	-	24.5	-	-	-	-	-	-	24.5
Certificates of deposit	-	10.0	4.5	8.0	36.3	98.1	-	-	156.9
Due to customers	818.6	639.2	0.1	-	-	-	-	-	1,457.9
Subordinated debt	-	-	8.2	-	-	137.9	538.7	-	684.8
Other liabilities	-	-	-	-	249.0	18.1	-	-	267.1
Total liabilities	3,126.8	3,166.8	2,193.5	2,738.0	1,984.8	4,173.1	1,202.0	-	18,585.0

38. Risk management

38.1 Overview and executive summary

The effective management of risk within the stated risk appetite is fundamental to the banking activities of the group. The group seeks to achieve a measured balance between risk and reward in the businesses as described below. In this regard, the group continues to build and enhance the risk management capabilities that assist in delivering growth plans in a controlled environment.

Risk management is at the core of the operating and management structures of the group. Managing and controlling risks, and in particular avoiding undue concentrations of exposure, limiting potential losses from stress events, restricting significant positions in less quantifiable risk areas and constraining profit or loss volatility are essential elements of risk management and the control framework which serve to protect the group’s reputation and business franchise.

Overall responsibility for risk management within the group rests with the Board of Directors (the Board). Accountability for risk management resides at all levels within the group, from the executive down through the organisation to each business manager and risk specialist. The three lines of defence model is embedded in the group’s operating model.

In the **first line of defence**, business unit management is primarily responsible for risk management. The assessment, evaluation and measurement of risk is an ongoing process which is integrated into day-to-day business activities. This includes the continued development of the group’s operational risk management framework, identification of material issues and the implementation of remedial action where required. Business unit management is also accountable for appropriate reporting to the various governance bodies within the group.

The **second line of defence** is represented by the group’s risk management function which is independent of line management within the business areas. The risk function is primarily accountable for establishing and maintaining the group’s risk management framework, standards and supporting policies, as well as for providing risk oversight and independent reporting of risk to executive management, board level committees and to the Board.

The **third line of defence** consists of internal audit which provides an independent assessment of the adequacy and effectiveness of the group’s overall system of internal control and risk governance structures. The audit function reports independently to the group’s board audit committee.

The year under review

Emerging markets, and in particular commodity producing economies, have continued to come under pressure throughout 2015. The tapering of asset purchases by the US Federal Reserve has seen further reductions of liquidity flowing into emerging markets, particularly impacting those markets with high current account deficits such as South Africa, Turkey and Brazil. The slowdown in global (notably Chinese) demand for raw materials has also played a role in softening commodity prices, additionally impacting attempts to balance budgets for key emerging markets. The price of oil slid during the year following a supply glut due to US shale production and lower demand from a slowing global economy. Tensions in Ukraine have seen US and EU sanctions imposed on Russian individuals and corporations which has impacted growth in certain EU countries; indeed, the Eurozone narrowly avoided a triple-dip recession and limited progress has been made in addressing the structural reforms required to make the Eurozone function as a genuine currency union. The slowdown in China and the weakness in commodity prices will represent some of the key risks facing the global economy moving over the short to medium term.

38.2 Risk management framework

Governance structure

Overall responsibility for risk management within the group rests with the Board. Day-to-day responsibility is delegated to the governance committee and its sub-committees which review, inter alia, summaries of market, liquidity, credit, operational, country and regulatory risks.

The Board also delegates certain functions and responsibilities to the board audit committee (BAC) and the board risk management committee (BRMC).

Risk governance standards, policies and procedures

The group has developed a set of policies for each major risk type to which it is exposed, as well as a standard for capital management. The policies set out minimum control requirements and are designed to ensure alignment and consistency in the manner in which the major risk types and capital management metrics across the group are dealt with, from identification to reporting. All policies are applied consistently across the group and are approved by the BRMC. It is the responsibility of executive management in each business line to ensure the implementation of risk policies and capital management standards. Supporting policies and procedures are implemented by the management team and independently monitored by embedded risk resources.

Risk appetite

Risk appetite is an expression of the amount, type and tenure of risk the group is willing to take in pursuit of its financial and strategic objectives, reflecting the group's capacity to sustain losses and continue to meet its obligations as they fall due in a range of different stress conditions. The Board has developed a framework to articulate risk appetite throughout the group and to external stakeholders.

The Board establishes the parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts, under normal and stressed conditions, for the group and each division;
- regularly reviewing and monitoring the group's performance in relation to risk through quarterly Board reports; and
- conducting forward-looking analysis of risk tendency against risk appetite in both normal and stressed conditions.

The chief risk officer (CRO) recommends the level of risk appetite for the group to both the BRMC and the Board.

The group's risk appetite is defined by the following metrics:

- earnings volatility;
- liquidity;
- regulatory capital;
- unacceptable risk; and

- economic capital.

These metrics are then converted into limits and triggers across the relevant risk types, at both entity and business line level, through an analysis of the risks that impact them.

Stress testing

The group's stress testing framework supports the regular execution of stress tests at the business unit and legal entity levels. The group's overall stress testing programme is a key management tool within the organisation and facilitates a forward looking perspective on risk tendency and business performance. Stress testing involves identifying possible events or future changes in economic conditions that could have an impact on the group.

Stress tests are used in proactively managing the group's risk profile, capital planning and management, strategic business planning, setting of capital buffers and liquidity profile. Stress testing is an integral component of the group's internal capital adequacy assessment process (ICAAP), and is used to assess and manage the adequacy of regulatory and economic capital. Stress tests are regularly discussed with regulators.

In managing the group's liquidity position, management considers the impact of stress on its liquidity position by conducting stress testing on a daily basis. The internal stress test models the group's view of a combined severe idiosyncratic and market-wide stress scenario and is used to determine the group's liquidity risk tolerance. The stress testing framework is included in the individual liquidity adequacy assessment (ILAA), which is used to assess liquidity adequacy and management.

The appropriateness and severity of the relevant stress scenarios for enterprise wide stress testing are approved by the capital risk management committee (CapCom) and are reviewed at least annually.

Management reviews the results of the stress tests as measured by the risk appetite metrics, and evaluates the need for mitigating actions. Examples of mitigating actions include reviewing and changing risk limits, limiting exposures and putting hedges in place.

Stress testing supports a number of business processes across the group, including:

- strategic planning and budgeting;
- capital planning and management, including setting capital buffers for the group;
- communication with internal and external stakeholders; and
- assessment, as required, of the impact of changes in short-term macroeconomic factors on the group's performance.

During 2015, the group performed stress tests on scenarios defined by the Prudential Regulation Authority (PRA) in addition to internal group defined scenarios, which included "risk off hits emerging markets" and "China delayed crisis" scenarios. The "risk off hits emerging markets" scenario models the impact of a sharp deterioration in emerging market risk appetite, likely to be driven by US Federal Reserve interest rate hikes. The scenario also incorporates a slowdown in China. The "China delayed crisis" scenario envisages a debt crisis in China with its epicentre in Q1 2016 and provides a severe negative economic stress in the group's key markets based upon heavy reliance on natural resource exports.

The group also conducts reverse stress testing to complement the overarching stress testing programme. Reverse stress testing identifies those scenarios that could threaten the ongoing stability of the group, and serves to inform what management action should be taken to mitigate this risk. These tests are a risk management tool as they assist in testing assumptions about business strategy and contingency planning.

Risk profile

The group's trading activities comprise both customer related and principal business. These activities result in the group holding positions in foreign exchange, commodities and marketable securities for its own account and to facilitate client business.

The group's non-trading portfolios of financial instruments include trade finance, deposits and debt securities.

38.3 Risk categories

The principal risks to which the group is exposed and which it manages are defined as follows:

Credit risk

Credit risk comprises counterparty risk, settlement risk and concentration risk. These risk types are defined as follows:

- Counterparty risk is the risk of credit loss to the group as a result of failure by a counterparty to meet its financial and / or contractual obligations to the group. This risk type has three components:
  - primary credit risk, which is the exposure at default (EAD) arising from lending and related banking product activities including underwriting the issue of these products in the primary market;
  - pre-settlement credit risk, which is the EAD arising from unsettled forward and derivative transactions. This risk arises from the default of the counterparty to the transaction and is measured as the cost of replacing the transaction at current market rates; and
  - issuer risk, which is the EAD arising from traded credit and equity products including underwriting the issue of these products in the primary market.

- Settlement risk is the risk of loss to the group from settling a transaction where value is exchanged, but where the group may not receive all or part of the counter value.
- Notional/gross risk which is a measure applied most typically to repo type transactions (commodities and securities) and inventory activities, to constrain and control absolute gross volumes of transactions or positions.
- Credit concentration risk is the risk of loss to the group as a result of excessive build-up of exposure to a single counterparty or group, an industry, market, product, financial instrument or type of security, a country or geography, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

Country risk

Country risk, also referred to as cross-border transfer risk, is the risk that a client or counterparty, including the relevant sovereign (government entities), may not be able to fulfil its obligations to the group outside the host country due to political or economic conditions in the host country.

Liquidity risk

Liquidity risk arises when the group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms.

This type of event may arise when counterparties who provide the group with funding withdraw or do not roll over that funding, due to perceived risks around the group's financial position, concerns around general market conditions or a combination of both.

Market risk

Market risk is the risk of a change in market value, earnings (actual or effective) or future cash-flows of a portfolio of financial instruments (including commodities), caused by moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

Market risk is categorised as trading book market risk, interest rate risk in the banking book, valuation risk in equity investments and foreign currency translation risk.

Operational risk (unaudited)

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk is divided into the following sub-types:

- Business disruption and system failure
  - Business continuity management (BCM)
  - Technology risk management
  - Information risk management
- Execution, delivery and process management
  - Model risk
- Internal fraud
  - Financial crime control
- External fraud
  - Physical commodities
- Clients, products and business practices
  - Tax risk
  - Legal risk
  - Compliance risk
- Employment practices and workplace safety
  - Occupational health and safety.

Business risk (unaudited)

Business risk relates to the potential revenue shortfall compared to the cost base due to strategic and / or reputational reasons. From an economic capital perspective, business risk capital requirements are calculated as the potential loss arising over a one year timeframe within a certain level of confidence as implied by the group's chosen target rating. The group's ability to generate revenue is impacted by the external macroeconomic environment, its chosen strategy and reputation in the markets in which it operates.

Reputational risk (unaudited)

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

38.4 Credit risk

Credit risk comprises mainly of counterparty credit risk arising from deposits, commodity leasing, securities financing transactions and derivative contracts entered into with our clients and market counterparties.

The group manages credit risk through:

- maintaining a strong culture of responsible risk taking and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk clearly and accurately across ICBCS, from the level of individual facilities up to the total portfolio;
- defining, implementing and re-evaluating our risk appetite under actual and stress conditions;
- monitoring credit risk relative to limits; and
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

First line responsibility for credit risk management resides with the business lines, which is in turn supported by the overarching risk function.

In the trading/derivatives area, ICBCS is exposed to counterparty credit risk, which arises as a result of movements in the fair value of securities and commodities financing and OTC derivative contracts. The risk amounts reflect the estimated aggregate replacement or exit costs that would be incurred by the group in the event of counterparties defaulting on their obligations.

The exposure to counterparty risk is affected by the nature of the trades and after recognition of any eligible netting and collateral arrangements.

Framework and governance

Strategy and process to manage risk

The group's head of credit has functional responsibility for credit risk across the group and reports to the CRO.

Structure and organisation of credit risk management function

A formal structure exists for the approval of credit limits which are agreed through delegated authority derived from the Board.

The Board awards the highest level of delegated authority to the credit committee to exercise responsibility of granting credit risk. The credit committee is convened as a sub-committee of the risk management committee (RMC) with a mandate to:

- Exercise responsibility for the independent assessment, approval, review, and monitoring of credit and country risk limits and exposures relating to the ICBCS business under a delegated authority construct;
- Ensure that the origination and management of credit and country exposure (including structured transactions) in the portfolio is done in line with the credit policy and any other guidance given to it by the RMC from time to time;
- Escalate matters to RMC as appropriate, including breaches of risk appetite and proposed corrective actions; and
- Monitor and review non-performing loan and watchlist exposures.

Methodology to assign credit limits

The group uses internal models and practices to measure and manage credit risk to ensure that it is properly understood, managed and controlled.

The credit modelling framework includes the use of PD, LGD, EAD, UL, expected loss (EL), Ecap consumption and economic profit (EP). The group's risk appetite is in part calibrated to these economic risk drivers.

PD models are used to assess the probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon. The models use a combination of forward-looking qualitative factors and quantitative inputs. Each customer is assigned an internal credit rating which in turn is mapped to a statistically calibrated PD as is illustrated in the table below. Different models are used for each discrete credit portfolio and counterparty, and each model has its own particular set of risk factors and inputs used for assessing the rating. All models are statistically tested and independently validated to ensure that they have an acceptable level of predictive power, provide an accurate forward looking rating assessment suitable for use in regulatory and economic capital assessment and are stable through an economic cycle. For Ecap management, the group uses forward-looking ratings but also explores point in time (PIT) versus through the cycle (TTC) impacts through stress testing and deploys a credit migration model to assess the impact of risk rating downgrades.

The group's 25 point master rating scale below is calibrated against external credit assessment institutions' alphanumerical rating scales and group grading categories.

<table>
<tr><th>Group master rating scale</th><th>Moody's Investor Services</th><th>Standard & Poor's</th><th>Fitch</th><th>Grading</th><th>Credit quality</th></tr>
<tr><td>1 – 4</td><td>Aaa to Aa3</td><td>AAA to AA-</td><td>AAA to AA-</td><td rowspan="3">Investment grade</td><td rowspan="4">Normal monitoring</td></tr>
<tr><td>5 – 7</td><td>A1 to A3</td><td>A+ to A-</td><td>A+ to A-</td></tr>
<tr><td>8 – 12</td><td>Baa1 to Baa3</td><td>BBB+ to BBB-</td><td>BBB+ to BBB-</td></tr>
<tr><td>13 – 21</td><td>Ba1 to B3</td><td>BB+ to B-</td><td>BB+ to B-</td><td rowspan="2">Sub-investment grade</td></tr>
<tr><td>22 – 25</td><td>Caa1 to Ca</td><td>CCC+ to CCC-</td><td>CCC+ to CCC-</td><td>Close monitoring</td></tr>
<tr><td>Default</td><td>C</td><td>D</td><td>D</td><td>Default</td><td>Default</td></tr>
</table>

Exposure to credit risk

For the tables that follow, the definitions below have been used for the different categories of exposures:

- **Neither past due nor impaired** represents exposures that are current and fully compliant with all contractual terms and conditions. Normal and close monitoring exposures within this category are exposures rated 1 to 21 and 22 to 25 respectively using the group's master rating scale.
- **Past due but not specifically impaired** includes those exposures where the counterparty has failed to make its contractual payment or has breached a material covenant, but impairment losses have not yet been incurred due to the expected recoverability of future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse condition persists. These exposures are analysed further between those that are less than 90 days past due and those that are 90 days or more past due.
- **Specifically impaired** exposures include those where there is objective evidence that an impairment loss has been incurred and for which there has been a measurable decrease in the estimated future cash flows as a result of its payment status or objective evidence of impairment. Other criteria that are used by the group to determine that there is such objective evidence of impairment include:
  - known cash flow difficulties experienced by the borrower;
  - breach of loan covenants or conditions;
  - the probability that the borrower will enter bankruptcy or other financial realisation; and
  - a significant downgrading in credit rating by an external credit rating agency, where, owing to the borrower's financial difficulties, concessions are granted to the counterparty.
- Specifically impaired exposures are further analysed into the following categories:
  - **sub-standard items** that show underlying well-defined weaknesses and are considered to be specifically impaired;
  - **doubtful items** that are not yet considered final losses because of some pending factors that may strengthen the quality of the items; and
  - **loss items** that are considered to be uncollectible in whole or in part. The group provides fully for its anticipated loss, after taking securities into account.
- **Non-performing exposures** are those exposures for which the group has identified objective evidence of default, such as breach of a material covenant or condition or instalments are due and unpaid for 90 days or more.

Maximum exposure to credit risk

	Performing		Non-performing			
	Neither past due nor impaired		Past due but not specifically impaired		Specifically impaired	Gross credit exposure
	Normal monitoring	Close monitoring	< 90 days	>= 90 days		
2015	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
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
Cash and balances with central banks						3,254.2
Financial assets held for trading						2,424.2
Financial investments						102.9
Total balance sheet exposure to credit risk						**16,633.1**
Guarantees						-
Irrevocable unutilised facilities						-
Commodity leases						1,101.7
Total off-balance sheet exposure to credit risk						**1,101.7**
Total exposure to credit risk						**17,734.8**
Reconciliation to the balance sheet						
Add: Equity instruments (disclosed in notes 5, 6 and 10)						30.0
Add: Non-financial assets						3,480.7
Less: Impairments for loans and advances						(6.3)
Less: Off-balance sheet exposures						(1,101.7)
Total assets						**20,137.5**

Maximum exposure to credit risk

2014	Performing: Neither past due nor impaired: Normal monitoring $m	Performing: Neither past due nor impaired: Close monitoring $m	Non-performing: Past due but not specifically impaired: < 90 days $m	Non-performing: Past due but not specifically impaired: >= 90 days $m	Non-performing: Specifically impaired $m	Gross credit exposure $m
Derivative financial assets	8,186.6	28.1	10.9	-	-	8,225.6
Due from banks and other financial institutions	2,000.7	-	-	-	5.9	2,006.6
Reverse repurchase agreements	2,147.2	-	-	-	-	2,147.2
Loans and advances to customers	224.5	96.8	-	-	-	321.3
Gross loans and advances & derivative financial assets	12,559.0	124.9	10.9	-	5.9	12,700.7
Cash and balances with central banks						1,432.9
Financial assets held for trading						2,650.7
Financial investments						-
Total balance sheet exposure to credit risk						16,784.3
Guarantees						4.7
Irrevocable unutilised facilities						6.0
Commodity leases						1,103.9
Total off-balance sheet exposure to credit risk						1,114.6
Total exposure to credit risk						17,898.9
Reconciliation to the balance sheet						
Add: Equity instruments (disclosed in notes 5, 6 and 10)						61.6
Add: Non-financial assets						2,771.8
Less: Impairments for loans and advances						(12.3)
Less: Off-balance sheet exposures						(1,114.6)
Total assets						19,605.4

Analysis of specifically impaired loans and advances

2015	**Sub-standard $m**	**Doubtful $m**	**Loss $m**	**Specifically impaired $m**	**Securities and expected recoveries $m**	**Specific impairment $m**	**Impairment coverage[1] %**
Due from banks and other financial institutions	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

2014	Sub-standard $m	Doubtful $m	Loss $m	Specifically impaired $m	Securities and expected recoveries $m	Specific impairment $m	Impairment coverage[1] %
Due from banks and other financial institutions	-	5.9	-	5.9	(0.6)	(5.3)	89.8
Loans and advances to customers	-	-	-	-	-	-	-
	-	5.9	-	5.9	(0.6)	(5.3)	89.8

[1] As a percentage of gross specifically impaired loans.

There are no past due but not impaired exposures at the end of 2015 and 2014.

Performing portfolio impairments

Portfolio credit impairments provide for latent losses in a group of loans which have not yet been identified as specifically impaired. The calculation of portfolio credit impairments is based on the EL of the group's loan portfolio. The EL represents losses over a one year time horizon. EL is calculated by applying a TTC PD for the core portfolio and the higher of a TTC and PIT PD for the watchlist portfolio. LGD, based on the foundation internal ratings based (FIRB) approach under Basel II, combined with a stressed component based on historical loss experience, is then also applied to the exposure. An emergence period is used to calibrate the one year EL calculated to incurred losses. The emergence period is the time lapsed from the loan default trigger to the point identifying the loss. The emergence period is currently assessed as 12 months (2014: 12 months), based on analysis of historical loss data, and is updated annually.

Renegotiated loans and advances

Renegotiated loans and advances are loans which have been refinanced, rescheduled, rolled over or otherwise modified during the year because of weaknesses in the counterparty's financial position and where it has been judged that normal repayment is expected to continue after the restructure. Loans and advances are assessed on an individual basis and monitored during the rehabilitation period before being transferred into the performing portfolio. Following rehabilitation, internally generated risk grades are assigned that reflect the revised risk of the exposure. Consequent impairment recognition is evaluated as part of the normal credit process. There were no renegotiated loans that would otherwise be past due or impaired as at 31 December 2015 (2014: US$ nil).

The primary aim of providing forbearance facilities to customers is to enable the complete recovery of the exposure through the full repayment of arrears. The group does not follow a general forbearance policy but each facility is treated on its own merits. Watchlist review is an early warning mechanism which identifies any deterioration in counterparty performance. These exposures are immediately subject to independent scrutiny and, where necessary, a programme of intensive monitoring and review until such time as the position can be transferred back to line management. In cases where the remedial strategy does not produce the expected corrective action, the group may consider an alternative remedial strategy or referral to the BS&R team for active recovery management. An impairment charge is raised if the new terms are less favourable and result in the discounted cash flows to be lower than the carrying value of the exposures. At 31 December 2015, US$ nil (2014: US$20.4 million) of performing loans were under BS&R watchlist review. The credit risk on this exposure for 2014 was fully covered by a credit-linked investment from SBSA.

The collective provision on the watchlist portfolio, including forbearance facilities, is mainly dependent on the internal credit grade allocated to it. Additionally, the management adjustments to the model also capture the enhanced risks attached to this portfolio.

Credit risk mitigation and hedging

Collateral, guarantees, credit derivatives and netting are widely used by the group for credit risk mitigation. The amount and type of credit risk mitigation depends on the circumstances of each case.

The amount and type of collateral required depends on the nature of the underlying risk, an assessment of the credit risk of the counterparty as well as requirements or intentions with respect to reductions in capital requirements.

Derivative netting

For derivative transactions, the group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure, where collateral support is considered necessary. Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, a downgrade of the counterparty's external credit rating.

Master netting agreements

Where it is appropriate and likely to be effective, the group seeks to enter into master netting agreements. Although master netting agreements do not generally result in an offset of balance sheet assets and liabilities for accounting purposes, as transactions are usually settled on a gross basis, they do reduce the credit risk to the extent that, if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The group's overall exposure to credit risk on derivative instruments subject to master netting agreements can change substantially within a short period, since this is the net position of all trades under the master netting agreement.

Guarantees / standby letters of credit

A guarantee is a contract whereby a third party guarantor promises to recompense the lender in the event of failure by a customer to meet their obligations. Regulatory capital relief is only taken through the use of risk weight substitution for guarantees provided by appropriate central governments, central banks or institutions. Where regulatory capital relief is sought to reflect the risk mitigating effect of a guarantee, there are minimum operational and legal requirements which are required to be met. On the basis that these are met, alternative forms of protection, for example indemnities, may be classified as a guarantee for regulatory capital purposes.

Credit derivatives

Credit derivatives are a method of transferring credit risk from one counterparty (the protection buyer) to another (the protection seller). In return for a risk premium, the protection seller agrees to make a payment (or series of payments) to the protection buyer in the event of the occurrence of a stipulated event. Capital relief under regulatory requirements is restricted to the following types of credit derivative:

- credit default swaps;
- total return swaps; and
- credit-linked notes (to the extent of their cash funding).

In respect of a credit default swap, various credit events defined in the ISDA affecting the obligor (including bankruptcy, failure to pay and restructuring), can trigger settlement. Settlement usually takes place by the protection buyer being paid by the protection seller the notional amount minus the recovery as determined by an auction of the eligible securities of the obligor governed by ISDA.

Under a total return swap, the protection buyer will pass on to the seller all payments it receives in return for an interest related payment (market rate and spread), plus any decrease in the market value of the credit obligation. Where the deterioration in the value of the asset that is protected is not recorded (either through reductions in fair value or by an addition to reserves), the credit protection must not be recognised as eligible.

Under a credit-linked note, the protection buyer will issue a bond or note which is linked to the creditworthiness of an obligor and backed by certain collateral. The bond or note is purchased by the protection seller and the investor will receive a coupon on the bond or note (market rate and spread). If a credit event occurs in either the obligor or the collateral, the bond or note is redeemed by the protection buyer with the recovery being the redemption amount. If no credit event occurs, the bond or note will be redeemed at par by the protection buyer.

Exposures are monitored to prevent an excessive concentration of risk and single name concentrations.

Collateral required in respect of a rating downgrade

The group enters into derivative contracts with rated and unrated counterparties. To mitigate counterparty credit risk, the group stipulates credit protection terms such as limitations on the amount of unsecured credit exposure it will accept, collateralisation if mark-to-market credit exposure exceeds those amounts and collateralisation and termination of the contract if certain credit events occur, including but not limited to a downgrade of the counterparty's public credit rating.

Certain counterparties require that the group provides similar credit protection terms. From time to time, the group may agree to provide those terms on a restrictive basis. Rating downgrades as a collateralisation or termination event are generally conceded only to highly rated counterparties and, whenever possible, on a bilateral and reciprocal basis. Exceptionally, such rating downgrades may be conceded to unrated counterparties when their size, credit strength and business potential are deemed acceptable. In these cases, the concessions must be approved by the chief financial officer and the chief credit officer.

The impact on the group of the amount of collateral it would have to provide given a credit downgrade would be determined by the then negative mark-to-market on derivative contracts where such a collateralisation trigger has been conceded. The impact on the group’s liquidity of a collateral call linked to a downgrading is approved by CapCom and included in the stress testing model.

Financial effect of collateral and other credit enhancements

The table below indicates the estimated financial effect that collateral has on the group’s maximum exposure to credit risk. The collateral disclosed is in relation to the gross credit exposure reported under IFRS and does not represent the collateral qualifying for prudential reporting purposes. The table displays the on-balance sheet and off-balance sheet credit exposures for the group, further disseminated between netting arrangements, unsecured and secured exposures, and with an additional breakdown of collateral coverage for the secured portion.

Netting arrangements represent amounts which are legally enforceable upon default, totalling US$4,363.8 million (2014: US$6,745.3 million). This is in addition to offsetting principles as described in accounting policy 5.

Unsecured exposures of US$8,154.5 million (2014: US$6,640.8 million) largely represent corporate and government bonds, precious metal leases, cash collateral placed with recognised exchanges and short-term placements with strong rated banks and non-banking financial institutions.

A significant portion of the secured exposures relates to reverse repo type securitised lending, where the collateral is typically highly rated, liquid and tradeable. For loans and advances, the collateral accepted normally includes property, other tangible assets across diverse jurisdictions, personal guarantees, floating charges over assets and credit enhancements such as credit default swaps. However, guarantees received based on future revenue streams and assets whose value is highly correlated to the counterparty and floating rate charges over assets have been excluded from the table. Total exposures of US$2,831.3 million (2014: US$1,488.2 million) are covered by more than 100%, primarily relating to the reverse repurchase lending activity.

Within the 1-50% coverage bucket, derivatives make up the bulk of the exposures (US$575.5 million; 2014: US$692.5 million) and these are predominantly with highly-rated clearing houses and multinational banks.

Collateral obtained by the group

It is the group’s policy to dispose of repossessed assets in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. Generally, the group does not use repossessed assets for business purposes. No collateral has been repossessed in 2015 or 2014.

Financial effect of collateral and other credit enhancements[5]

2015	Total exposure to credit risk $m	Netting[1] arrangements $m	Exposure after netting $m	Unsecured exposures $m	Secured exposures $m	Extent of collateral and risk mitigation: 1 - 50%[2] $m	51 - 100%[3] $m	> 100%[4] $m
Cash and balances with central banks	3,254.2	-	3,254.2	3,254.2	-	-	-	-
Due from banks and other financial institutions	1,510.9	640.5	870.4	422.3	448.1	258.9	189.2	-
Financial assets held for trading	2,424.2	-	2,424.2	2,056.4	367.8	-	257.1	110.7
Derivative financial assets	6,223.0	3,723.3	2,499.7	1,119.5	1,380.2	575.5	649.0	155.7
Reverse repurchase agreements	2,684.5	-	2,684.5	-	2,684.5	-	157.9	2,526.6
Loans and advances to customers	433.4	-	433.4	97.5	335.9	21.5	276.1	38.3
Financial investments	102.9	-	102.9	102.9	-	-	-	-
Total balance sheet exposure to credit risk	**16,633.1**	**4,363.8**	**12,269.3**	**7,052.8**	**5,216.5**	**855.9**	**1,529.3**	**2,831.3**
Guarantees	-	-	-	-	-	-	-	-
Irrevocable unutilised facilities	-	-	-	-	-	-	-	-
Commodity leases	1,101.7	-	1,101.7	1,101.7	-	-	-	-
Total off-balance sheet exposure to credit risk	**1,101.7**	**-**	**1,101.7**	**1,101.7**	**-**	**-**	**-**	**-**
Total exposure to credit risk	**17,734.8**	**4,363.8**	**13,371.0**	**8,154.5**	**5,216.5**	**855.9**	**1,529.3**	**2,831.3**

2014	Total exposure to credit risk $m	Netting[1] arrangements $m	Exposure after netting $m	Unsecured exposures $m	Secured exposures $m	Extent of collateral and risk mitigation: 1 - 50%[2] $m	51 - 100%[3] $m	> 100%[4] $m
Cash and balances with central banks	1,432.9	-	1,432.9	1,432.9	-	-	-	-
Due from banks and other financial institutions	2,006.6	1,035.0	971.6	610.7	360.9	127.4	186.4	47.1
Financial assets held for trading	2,650.7	-	2,650.7	2,114.8	535.9	-	535.9	-
Derivative financial assets	8,225.6	5,710.3	2,515.3	1,165.0	1,350.3	692.5	606.9	50.9
Reverse repurchase agreements	2,147.2	-	2,147.2	17.5	2,129.7	-	834.6	1,295.1
Loans and advances to customers	321.3	-	321.3	185.3	136.0	-	40.9	95.1
Financial investments	-	-	-	-	-	-	-	-
Total balance sheet exposure to credit risk	16,784.3	6,745.3	10,039.0	5,526.2	4,512.8	819.9	2,204.7	1,488.2
Guarantees	4.7	-	4.7	4.7	-	-	-	-
Irrevocable unutilised facilities	6.0	-	6.0	6.0	-	-	-	-
Commodity leases	1,103.9	-	1,103.9	1,103.9	-	-	-	-
Total off-balance sheet exposure to credit risk	1,114.6	-	1,114.6	1,114.6	-	-	-	-
Total exposure to credit risk	17,898.9	6,745.3	11,153.6	6,640.8	4,512.8	819.9	2,204.7	1,488.2

1 Represents netting arrangements that can be applied in the event of default. This is in addition to offsetting applied in the balance sheet, as permitted by IAS 32.
2 Represent exposures secured between 1% and 50%.
3 Represent exposures secured between 51% and 100%.
4 Represent exposures secured in excess of 100%.
5 Collateral valuations are performed based on the nature and price volatility of the underlying collateral.

Wrong-way risk exposure

Wrong-way risk (WWR) is defined as the risk that arises due to adverse correlation between counterparty credit exposure and credit quality. WWR is present where the risk of default by the counterparty increases as the bank's credit exposure to the counterparty increases or as the value of the collateral held by the bank decreases.

This risk is addressed by taking into consideration the high correlation between the default event and exposure to the counterparty when calculating the potential exposure and security margin requirements on these transactions.

38.5 Country risk

All countries to which ICBCS is exposed are reviewed at least annually. Internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the bank's network of operations and external information sources. These ratings are also a key input into the group's credit rating models.

The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a country risk grade (CR) from CR01 to CR25, or sovereign risk grade, transfer and convertibility (RG) rating scale from RG01 to RG25. Countries rated CR08 and higher, referred to as medium- and high-risk countries, are subject to increased analysis and monitoring.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance;
- co-financing with multilateral institutions; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

The following table illustrates customer risk by geographical segment.

Geographic analysis of gross loans & advances (notes 4, 8 and 9)[1]

	2015		2014	
	$m	%	$m	%
United Kingdom	**1,500.0**	**32.4**	2,032.1	45.4
Eurozone				
France	**228.4**		343.3	
Netherlands	**98.6**		52.0	
Other	**109.2**		146.9	
	436.2	**9.4**	542.2	12.1
Rest of Europe				
Turkey	**249.1**		452.2	
Switzerland	**67.6**		20.4	
Other	**42.8**		62.3	
	359.5	**7.8**	534.9	12.0
Asia-Pacific				
Hong Kong	**232.6**		17.2	
China	**175.5**		141.6	
Other	**201.5**		145.4	
	609.6	**13.2**	304.2	6.8
Sub-Saharan Africa				
Nigeria	**400.6**		194.1	
South Africa	**209.2**		133.7	
Other	**39.1**		33.4	
	648.9	**14.0**	361.2	8.1
North America				
United States	**241.9**		112.7	
British Virgin Isles	**231.1**		51.4	
Other	**226.9**		84.1	
	699.9	**15.1**	248.2	5.5
Latin America				
Chile	**47.8**		-	
Brazil	**24.0**		49.7	
Other	**23.6**		315.7	
	95.4	**2.1**	365.4	8.2
Middle East & North Africa				
United Arab Emirates	**150.9**		83.5	
Qatar	**118.2**		-	
Other	**10.2**		3.4	
	279.3	**6.0**	86.9	1.9
	4,628.8	**100.0**	4,475.1	100.0

[1] Based on the borrower's country of risk

Geographic analysis of financial assets held for trading[1]

	2015		2014	
	$m	%	$m	%
North America	780.1	38.1	102.9	5.4
Sub-Saharan Africa	488.4	23.9	1,326.7	69.4
Asia-Pacific	296.2	14.5	48.0	2.5
Eurozone	247.2	12.1	100.8	5.3
Rest of Europe	175.1	8.6	266.6	13.9
Middle East & North Africa	55.1	2.7	25.3	1.3
Latin America	3.0	0.1	41.7	2.2
	2,045.1	100.0	1,912.0	100.0
Composition of Eurozone				
Luxembourg	120.1	48.6	14.4	14.3
Finland	64.9	26.2	40.5	40.2
Other	62.2	25.2	45.9	45.5
	247.2	100.0	100.8	100.0

[1] Analysis of 'Government, utility bonds and treasury bills' & 'Corporate bonds and floating rate notes' included in note 5.

38.6 Liquidity risk

Framework and governance

The group adopts a holistic approach to liquidity risk management which links strategy, policy, management and monitoring with appropriate escalation and feedback mechanisms. The group's approach seeks to ensure that liquidity risks are identified promptly through the early warning indicator (EWI) and liquidity risk tolerance frameworks. Liquidity risk trigger and limit breaches are escalated and mitigating action is taken. The group deems that its risk framework is appropriate for the current nature, scale and complexity of its activities and seeks to be proactive in anticipating the impact of changes in its risk profile upon the risk management framework.

The core objectives of the liquidity risk framework are:

- To ensure strong governance, business management, risk and control structures;
- To ensure that the group has adequate liquidity resources for both regulatory and internal purposes on a forward-looking basis, both under normal and stressed financial conditions;
- To ensure that heightened liquidity risk is identified promptly in order to enable effective mitigating action to be taken;
- To maintain an optimal liquidity structure in line with strategy; and
- To promote efficient use of liquidity through the internal allocation of costs, benefits and risks across the entity.

The group operates a liquidity governance framework which provides Board level oversight of the liquidity risks to which the group is exposed. The framework ensures active management of liquidity risk by CapCom and its sub-committees. The Board and its committees set liquidity risk tolerance and review and approve key liquidity policies. CapCom establishes liquidity risk standards in accordance with prudential and regulatory requirements. Limits and guidelines are set, reviewed and monitored by CapCom and reflect the group's stated tolerance for liquidity risk.

Liquidity and funding management

The group manages its liquidity risk exposure to ensure that at all times it is able to meet its liabilities as and when they fall due. The group's liquidity framework is detailed in four key liquidity risk policies. The liquidity risk tolerance statement (LRTS) is central to this framework as it documents the group's liquidity risk tolerance, how it is measured and monitored. It also details the escalation procedures to be followed in the event of a breach of liquidity risk tolerance. This, together with the other liquidity policies and the EWIs, establishes a liquidity risk management and governance framework across the group. This framework is intended to be dynamic. Triggers and limits are continuously assessed to determine whether they still reflect the bank's liquidity risk tolerance.

The group incorporates various elements into its cohesive liquidity management process, including the following:

- establishing liquidity risk tolerance, ensuring that there is consistency between this and the group's strategy, resource availability and business requirements;
- maintaining and monitoring liquidity against an appropriate limit structure in line with risk appetite;
- maintaining a robust model for determining and monitoring liquidity usage and risk exposure;
- undertaking regular liquidity stress testing;
- maintaining an effective FTP policy to ensure appropriate allocation of the costs and risks of liquidity to the users of liquidity;
- short-term and long-term cash flow management;
- foreign currency liquidity management;
- preserving a diversified funding base;
- maintaining adequate contingency funding plans; and
- maintaining recovery and resolution plans.

The Board delegates liquidity management responsibility to CapCom. This includes reviewing and making strategic decisions on matters relating to the composition and liquidity of assets and liabilities, reviewing and setting liquidity limits, reviewing and approving funds transfer pricing methodology, reviewing and monitoring the liquidity position and EWIs, reviewing regulatory compliance and reviewing the completeness and effectiveness of stress testing and key liquidity documents.

CapCom's sub-committees are the liquidity contingency management team (LCMT) which is generally convened in response to heightened liquidity risk, and the liquidity sub-committee (LSC), which is responsible for liquidity management during business as usual conditions. The LCMT is required to vote on whether to invoke the contingency funding plan (CFP) at each meeting, and is responsible for managing the implementation of the plan upon activation. The LSC is the first committee to convene in instances where any of the amber indicators on the risk tolerance metrics have been triggered or where the overall EWI status is amber. In carrying out all of its duties, the LSC is required to take into account the group's liquidity risk tolerance.

Structural requirements

The maturity analysis of financial liabilities represents the basis for the management of exposure to structural liquidity risk. The table below shows the notional cash flows for all financial liabilities on a contractual basis based on the earliest date on which the group can be required to pay. This basis of disclosure differs from the balance sheet carrying value of financial liabilities since those values are typically disclosed on a discounted basis. The table also includes contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

2015	Redeemable on demand $m	Maturing within 1 month $m	Maturing 1 - 6 months $m	Maturing 6 - 12 months $m	Maturing after 12 months $m	Total $m
Financial liabilities						
Financial liabilities held for trading	**524.7**	**0.2**	**22.2**	**70.4**	**387.6**	**1,005.1**
Derivative financial liabilities	**29.1**	**491.3**	**1,575.3**	**923.3**	**2,907.3**	**5,926.3**
Deposit and current accounts [1]	**4,208.2**	**3,760.2**	**2,768.8**	**503.0**	**106.2**	**11,346.4**
Subordinated debt	**24.0**	**168.7**	**40.6**	**40.6**	**540.6**	**814.5**
Total balance sheet financial liabilities	**4,786.0**	**4,420.4**	**4,406.9**	**1,537.3**	**3,941.7**	**19,092.3**
Guarantees	**-**	**-**	**-**	**-**	**-**	**-**
Irrevocable unutilised facilities	**-**	**-**	**-**	**-**	**-**	**-**
Total off-balance sheet financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**4,786.0**	**4,420.4**	**4,406.9**	**1,537.3**	**3,941.7**	**19,092.3**

2014	Redeemable on demand $m	Maturing within 1 month $m	Maturing 1 - 6 months $m	Maturing 6 - 12 months $m	Maturing after 12 months $m	Total $m
Financial liabilities						
Financial liabilities held for trading	100.9	72.3	80.1	123.2	530.1	906.6
Derivative financial liabilities	23.3	669.1	2,379.3	1,405.6	3,689.4	8,166.7
Deposit and current accounts [1]	3,076.2	2,473.9	2,392.7	198.3	168.0	8,309.1
Subordinated debt	-	-	3.3	4.9	637.9	646.1
Total balance sheet financial liabilities	3,200.4	3,215.3	4,855.4	1,732.0	5,025.4	18,028.5
Guarantees	-	-	4.7	-	-	4.7
Irrevocable unutilised facilities	-	-	6.0	-	-	6.0
Total off-balance sheet financial liabilities	-	-	10.7	-	-	10.7
Total financial liabilities	3,200.4	3,215.3	4,866.1	1,732.0	5,025.4	18,039.2

[1] Includes deposits due to banks and other financial institutions, repurchase agreements, and deposits due to customers.

Contingency liquidity

Portfolios of liquid assets are maintained as protection against unexpected disruptions in cash flows to ensure that the group is able to meet liabilities as they fall due. These portfolios are managed within limits and, apart from acting as a buffer under business as usual conditions, also form an integral part of the broader liquidity management strategy in the event of a liquidity crisis. These assets include deposits placed at the Bank of England, debt securities and reverse repos on qualifying assets. In addition to the possibility of liquidating asset positions, other management actions include declining to roll-over loans or reverse repos as they fall due from clients.

Liquidity contingency plans

The CFP sets out the group's strategies for mitigating severe liquidity stress. The CFP details the group's response to potential liquidity shortfalls as a result of idiosyncratic, market-wide or combined stress events. As the nature of a stress is unknown in advance, the contingency plans are flexible and contain a range of management actions. The LCMT is responsible for activating the CFP. The CFP addresses necessary internal and external communications, liquidity management, operations, as well as supplementary information requirements. The CFP is reviewed at least annually and updated to reflect current market trends and conditions, as well as reflecting the experience of recent historical market stress scenarios, rating changes and the range of management actions adopted to protect the group's position. A deterioration of EWIs can result in the invocation of the contingency plans (as noted, this would be at the decree of LCMT). The CFP is one of the contingent management components of the group's recovery and resolution plan.

Funding strategy

The funding strategy seeks to assist in optimising funding whilst accommodating anticipated balance sheet changes, ensuring that the structure of the balance sheet remains secure and liabilities can be met as they fall due. The funding strategy is developed into a funding plan as part of the budget process where revenue, cost and capital forecasts are collected from the business units, with finance producing a balance sheet projection. These balance sheet forecasts, driven by expected asset growth, are used as the basis to establish a funding plan. Additionally, the use of funds by business is reviewed daily by both treasury and the business to identify any significant changes in business funding requirements. Bi-weekly meetings with the businesses also give a longer term view of overall funding requirements.

Diversified funding base

Funding concentration risk indicators are used to monitor funding diversification across products, sectors, geographic regions and counterparties. Primary sources of funding are in the form of deposits across a spectrum of clients. Further funding is sourced from a number of African countries, leveraging SBG's operational footprint across the continent. The group has rationalised deposit taking from SBG entities. All funding from SBG is now taken from SBSA or SBSA (Isle of Man Branch), with a small quantum of funding taken direct from SB Mozambique. In addition, the group has obtained funding from various ICBC group entities in the course of 2015.

Liquidity stress testing

The group seeks to comply with the PRA's overall liquidity adequacy rule, maintaining liquidity resources which are adequate, both as to amount and quality, to meet contractual, behavioural and contingent liquidity needs and ensure that there is no significant risk that liabilities cannot be met as they fall due.

The liquidity stress testing programme developed by the group has two objectives:

- It is designed to be compliant with the PRA framework on liquidity; and
- It expresses the group's liquidity risk tolerance, as set out in the LRTS.

The group's risk tolerance requires survival for a three month period under both the regulatory stress test and the internal stress test. The parameters used within the internal stress test and the calibration of these are assessed by management as representing stress scenarios which could realistically occur and which would have a severe impact upon the group, given its current business model and activities.

The group models its liquidity position daily using these stress tests to ensure that there is no breach in the liquidity risk tolerance set by the group Board. As noted earlier, the group also references a spectrum of EWIs that monitor both internal and external liquidity conditions. The EWIs are reviewed by senior management on a daily basis. The EWI framework is integrated into the group's liquidity management escalation system by aggregating liquidity results that drive the decision to call either LSC or LCMT meetings.

Liquidity coverage ratio

In June 2015, the PRA issued a policy statement (PS11/15) which sets out the transitional arrangements for the EBA's liquidity coverage ratio (LCR). From 1 October 2015, the PRA will require UK banks to meet a minimum LCR of 80%, rising to 90% on 1 January 2017 and 100% by 1 January 2018. ICBC SB Plc's LCR on 31 December 2015 was in excess of 100%.

38.7 Market risk

Definition

The purpose of market risk management is to identify, measure, assess, monitor, report and manage market risk exposures within acceptable parameters, while optimising the return on risk. Major exposures to market risk occur in markets served by formal financial exchanges and over-the-counter markets. These exposures arise primarily as a result of the execution of customers' orders. The group's exposure to market risk can be categorised as follows:

Trading book market risk

These risks arise in trading activities where the group acts as a principal with clients in the market.

Banking book interest rate risk

These risks arise from the structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

Foreign currency risk

These risks arise as a result of changes in the fair value or future cash flows of financial exposures as a result of changes in foreign exchange rates other than those changes included in the VaR analysis.

Equity investments

These risks arise from equity price changes caused by listed and unlisted investments, which are monitored and authorised by the investment committee.

Framework and governance

The Board approves the market risk appetite for all types of market risk and grants general authority to take on market risk exposure to group risk oversight committee (GROC) which delegates responsibility for limit setting and exposure monitoring to the risk management committee (RMC) at a legal entity level. The RMC also sets market risk standards to ensure that the measurement, reporting, monitoring and management of market risk associated with operations across the group follow a common governance framework. The market risk committee (MRC), a subcommittee of the RMC, is in charge of the close supervision of the market risk activities and the correct application of the market risk policies.

Market risk management, independent of trading operations, monitor market risk exposures from both trading activities and banking activities. All exposures and any limit excesses are monitored daily, and reported monthly to MRC. Level 1 limit breaches are also reported quarterly to the RMC.

During 2015, the governance structure changed, with the Board continuing to approve the market risk appetite for all types of market risk but granting general authority to take on market risk exposure to the governance committee (GovCo) which delegated responsibility for limit setting and exposure monitoring to the risk management committee (RMC).

Market risk measurement

The techniques used to measure and control market risk include:

- daily value at risk (VaR) and stressed value at risk (SVaR);
- stress tests;
- risk factor market risk measures;
- annual net interest income at risk; and
- economic value of equity.

Daily VaR and stressed VaR

The bank uses the historical VaR and SVaR approach to quantify market risk under normal conditions and under stressed conditions.

For risk management purposes, VaR is based on 251 days of equally weighted recent historical data, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- Calculate 250 daily market price movements based on 251 days' historical data.
- Calculate hypothetical daily profit or loss for each day using these daily market price movements.
- Aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days.
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but based on a one year period of financial stress, selected from 1 January 2007 to the present in order to maximise the losses and assumes a 10-day holding period with a 99% confidence interval.

Where the bank has received internal model approval, the market risk regulatory capital requirement is based on VaR and SVaR, both of which use a confidence level of 99% and a 10-day holding period.

Limitations of historical VaR and SVaR are acknowledged globally and include:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
- The use of a one-day or 10-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day or 10-day holding period may be insufficient to liquidate or hedge all positions fully.
- The use of a 95% or 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intraday exposures.

- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical, hypothetical and point of weakness scenarios. Daily losses experienced during the year ended 31 December 2015 did not exceed the maximum tolerable losses as represented by the bank's stress scenario limits.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers.

The model validation department independently validate and document new pricing models and perform an annual review of existing models to ensure models are still relevant and behaving within expectations.

Analysis of trading book market risk exposures

The table on the following page 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 periods specified. Stop loss triggers are designed to contain losses for individual business units by enforcing management intervention at predetermined loss levels measured against the individual high-water mark year-to-date profit and loss. Other risk measures specific to individual business units are also used. These measures include permissible instruments, concentration of exposures, gap limits and maximum tenor.

The group's trading units achieved a positive actual income for over 68% of the trading days in 2015 (2014: 72%). The average daily trading revenue earned in 2015 was US$0.7 million with a standard deviation of US$1.8 million. During the year, there were no back-testing exceptions at a 99% confidence level.

2015	Normal VaR[2] Maximum[1] $m	Minimum[1] $m	Average $m	Year end $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**

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

2014	Normal VaR[2] Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
Commodities	2.6	0.8	1.2	1.2
Foreign exchange	1.3	0.3	0.7	0.6
Equities	0.9	0.1	0.4	0.3
Debt securities	4.7	1.6	2.7	1.8
Diversification benefit[4]				(1.2)
Total				2.7

2015	[3]Stress VaR Year end $m
Commodities	12.9
Foreign exchange	1.3
Equities	0.8
Debt securities	34.4
Diversification benefit[4]	(25.6)
Total	23.8

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.

Commodity exposure

The group has capabilities in physical precious and base metals, predominantly in London, Dubai, Singapore and Shanghai, with access into all major physical markets in Europe, Asia, North and South America. The business consists of a diversified client base including producers, consumers (including jewellers), hedge funds, private banks, recycling and refining companies, financial institutions and central banks. The commodities business is primarily client-driven, with price risk hedged on major exchanges, offering all standardised products such as forwards, European and Asian options, swaps, leases and lease rate swaps.

To mitigate trading risk, a number of strategies are employed. Firstly, the group trades on a cleared basis with counterparties posting margins to a central clearer. Alternatively, the group executes credit support annex (CSA) agreements such that margin or collateral is posted on a daily basis to offset any exposure arising from any live trades. The group may also actively manage any embedded credit spread via the contingent credit protection (CCP) process or take a credit calculation adjustment where no credit mitigation is possible.

Operational risk is managed through a dedicated commodities management unit and the group's operations team, using a number of automated systematic confirmations with exchanges, brokers, warehouses and clients. A daily reconciliation is performed for open trades, cash accounts, inventory, collateral and client account balances with any discrepancies being escalated to the appropriate relationship manager for resolution directly with the client. The group's separate operational risk department monitors key risk indicators (KRIs) around key business processes which are monitored and discussed with the business on a regular basis.

Analysis of banking book interest rate risk exposure

Banking related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on net interest income and equity. This risk is transferred to and managed within the group's asset and liability management team under monitoring of the local risk management committee and CapCom.

The main analytical techniques used to quantify banking book interest rate risk are earnings and valuation-based measures. The results obtained assist in evaluating the optimal hedging strategies on a risk-return basis. Desired changes to a particular interest rate risk profile are achieved through the restructuring of the balance sheet and, where possible, the use of derivative instruments, such as interest rate swaps. Interest rate risk limits are set in terms of both changes in forecast net interest income and economic value of equity.

The repricing gaps for the group's non-trading portfolios are shown below. This view is for the purpose of illustration only, as positions are managed by currency to take account of the fact that interest rate changes are unlikely to be perfectly correlated. All assets, liabilities and derivative instruments are sited in gap intervals based on their repricing characteristics.

Repricing gap for non-trading portfolios

2015	**0-3 months $m**	**3-6 months $m**	**6-12 months $m**	**>12 months $m**
Interest rate sensitivity gap	**1,626.2**	**(326.5)**	**(300.9)**	**37.2**
Cumulative interest rate sensitivity gap	**1,626.2**	**1,299.7**	**998.8**	**1,036.0**
Cumulative interest rate sensitivity gap as a percentage of total banking assets	**33.5%**	**26.8%**	**20.6%**	**21.4%**

2014	0-3 months $m	3-6 months $m	6-12 months $m	>12 months $m
Interest rate sensitivity gap	1,854.4	(682.1)	(28.8)	(139.5)
Cumulative interest rate sensitivity gap	1,854.4	1,172.3	1,143.5	1,004.0
Cumulative interest rate sensitivity gap as a percentage of total banking assets	55.5%	35.1%	34.2%	30.0%

Sensitivity of net interest income

The table below indicates the sensitivity in US Dollar equivalents of the group's net interest income in response to a change in interest rates, after taking into account all risk mitigating instruments, with all other variables held constant.

2015	**Increase in basis points**	**1 month**	**2 months**	**3 months**	**4 - 6 months**
		$m	**$m**	**$m**	**$m**
1% up (interest-rate increase)	**100**	**(1.5)**	**0.4**	**1.6**	**1.2**
1% down (interest-rate decrease)	**100**	**1.5**	**(0.4)**	**(1.6)**	**(1.2)**

2014	Increase in basis points	1 month	2 months	3 months	4 - 6 months
		$m	$m	$m	$m
1% up (interest-rate increase)	100	(1.4)	0.9	0.4	2.4
1% down (interest-rate decrease)	100	1.4	(0.9)	(0.4)	(2.4)

It is the group's policy that banking book assets and liabilities with a duration greater than one week be match funded with the money markets desk, thus removing interest rate risk. However, a few business areas are exempt where their banking book interest rate risk is monitored in the same way as if it was a trading book, i.e. PV01 sensitivities are calculated. This is then aggregated in a similar manner to the other traded risks as detailed earlier.

Foreign currency risk

The group's foreign exchange positions arise mainly from foreign exchange trading activities, which are governed by position limits approved by the risk management committee in accordance with the group's market risk policy. These position limits are subject to review at least annually and foreign exchange exposures are monitored daily by the market risk function and reviewed monthly to ensure they remain within the approved risk appetite.

The group policy is not to hold open exposures in respect of the banking book of any significance. Gains or losses on derivatives that have been designated in terms of cash flow hedging relationships are reported directly in equity, with all other gains and losses on derivatives being reported in profit or loss.

Net investment in foreign operations

	2015	2014
Functional currency	**$m**	$m
Chinese Renminbi	**80.7**	85.8

Market risk on equity investments

Market risk on investments is managed in accordance with the purpose and strategic benefits of such investments rather than purely on mark-to-market considerations. Periodic reviews and reassessments are undertaken on the performance of the investments.

38.8 Operational risk (unaudited)

Introduction

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk, as this would be neither commercially viable nor possible. The ICBCS approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The operational risk management function is independent from business line management and is part of the second line of defence. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business's adoption of the framework, oversight and reporting, as well as for challenging the risk profile.

The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions. Team members have expertise in the key functions they are responsible for to ensure effective challenge.

An independent team, reporting directly to the chief risk officer, has responsibility for second line assurance for the physical and derivative Commodities business. The team has a dotted line into the head of operational risk in respect of the operational risk framework.

Framework and governance

BRMC, as the appropriately delegated risk oversight body on behalf of the Board, has ultimate responsibility for operational risk. BRMC ensures that the operational risk management (ORM) framework for the management and reporting of operational risk is implemented across the group, whilst ensuring regulatory compliance where applicable.

Operational risk committee (OpCo) serves as the main operational risk management committee within the group. The committee's primary responsibility is to monitor and control operational risk for the group and oversee adherence to the agreed risk appetite. It is responsible for ensuring a robust operational risk framework is embedded across the organisation and promoting strong risk culture within the three lines of defence model.

The roles and responsibilities for managing operational risks are stipulated in the operational risk governance standard and various ORM policies. These policies indicate the responsibilities of operational risk specialists at all levels and of the risk owners. Local heads of ORM may develop their own policies and procedures that better suit their unique environments. These policies and procedures must align to the policies and procedures and must be approved by their respective governance committees.

The management and measurement of operational risk

The current framework follows a primarily qualitative approach, being focused on ensuring underlying risks are identified and owned and that the residual risk is maintained within an acceptable level in the opinion of the relevant management, overseen by an independent operational risk function within risk management. Independent assurance on the satisfactory management of operational risk is provided by internal audit.

Operational risk management (ORM) forms part of the day-to-day responsibilities of management at all levels. The ORM framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures. The framework is based around risk and control self-assessments (RCSA), key risk indicators (KRIs) and incident reporting. Escalation criteria are in place to ensure that management action can be applied in the event that RCSAs or KRIs show a level of residual risk exposure beyond that deemed acceptable and when an individual incident breaches a set materiality threshold. In addition, a loss tolerance threshold is set by senior management for aggregate losses.

As the operational risk profile of the group's business tends to be focused on high impact, low frequency losses, the actual loss experience has limited value in terms of assessing future exposures. However, historical losses are reviewed – both to ensure that adequate management action is taken in respect of the root cause of loss and near miss incidents and also to consider whether there is a level of loss experience that challenges the absolute level of the pillar 1 capital requirement. Losses are recorded in the operational incident database in accordance with the operational risk incident reporting policy.

Given the broad and diverse nature of the above definition, there are specialist operational risk sub-types which are governed under specific governance standards or equivalent documents and are enforced through independent dedicated specialist functions. These are:

- Legal risk is risk of any of the following descriptions, namely:
  - That business is or may be carried on otherwise than in accordance with applicable laws and regulations;
  - That contractual arrangements either are or may not be binding or enforceable as intended against counterparties or are or may be binding or enforceable against the bank otherwise than as intended;
  - That property rights of any descriptions are or may be infringed; or
  - That liability to others may be incurred.
- Compliance risk is the risk that the bank may suffer legal or regulatory sanctions, material financial loss or adverse impact on its reputation as a result of a failure to fully comply with laws, regulations, rules, standards or codes of conduct applicable to its financial services activities.
- Financial crime risk is defined as the risk of economic loss, reputational impact and regulatory sanction arising from any type of financial crime against the group. Financial crime includes fraud, money laundering, violent crime and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties.
- Tax risk is the risk of financial or other loss resulting from (among others) the following:
  - An incorrect technical position being taken on the treatment of any item in the tax return and / or forming part of the calculation of a tax liability;
  - Tax authority challenge of a filed position taken in a tax return;
  - Failure to submit a tax return or to make a tax payment within the relevant statutory deadline;
  - Errors in the computation of a tax liability or in the submitted return;
  - Change in tax law or practice affecting a filed position;
  - Operational / process errors in the computation of the bank's tax assets or liabilities;
  - Missing claims / elections / deadlines, etc.; and
  - Incorrect financial accounting information being used in the tax return or the calculation of a tax liability.

- Insurance risk including:
  - Repudiation of claim – non-payment of a perceived loss under specific insurance where the loss is repudiated by Insurers due to insufficient proof of loss.
  - Delay in claims settlement – delay caused by the need to provide more / detailed information in support of a claim settlement, which results in the use of capital held by the bank to mitigate the insurance loss.
- Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information. Information technology risk is defined as a risk associated with the use, ownership, operation, involvement, influence and adoption of information technology within the group. It consists of information technology related events and conditions that could potentially impact the business. Information technology risk can occur with both uncertain frequency and magnitude and it creates challenges in meeting strategic goals and objectives.
- Included in the operational risk framework and standards are:
  - Model risk arises from potential weaknesses in a model that is used in the measurement, pricing and management of risk. These weaknesses include incorrect assumptions, incomplete information, inaccurate implementation, limited model understanding, inappropriate use, or inappropriate methodologies leading to incorrect conclusions by the user. Model risk can lead to financial loss, poor business and strategic decision making, or damage to a bank’s reputation.
  - Change risk is defined as a risk that emerges through changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability. The group relies heavily on technology to support complex business processes and handle large volumes of critical information. As a result, a technology failure can have a crippling impact on the group’s brand and reputation. Change, whether internal in the form of people, process and technology or external in the form of market conditions or regulations, is a significant driver of risk. Change risk can, individually or collectively, affect the business and technology operations and service delivery, introduced by technology changes.

38.9 Reputational risk (unaudited)

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group’s reputation is of paramount importance to its continued success and is the responsibility of every member of staff. As a banking group, good reputation depends upon the way in which it conducts its business, but it can also be affected by the way in which clients, to whom it provides financial services, conduct themselves.

38.10 Capital management

The group manages its capital resource and requirements to:

- achieve a prudent balance between maintaining capital ratios to support business strategy and depositor confidence, and providing competitive returns to shareholders;
- ensure that each group entity maintains sufficient capital levels for legal and regulatory compliance purposes; and

- ensure that its actions do not compromise sound governance and appropriate business practices and it eliminates any negative effect on payment capacity, liquidity or profitability.

The group is subject to regulation and supervision by the Prudential Regulation Authority (PRA) and at year end, formed part of the ICBC group which is supervised by the China Banking Regulatory Commission (CBRC).

The group is subject to the Basel III regulatory frameworks for calculating minimum capital requirements as adopted by the European Banking Authority (EBA) for reporting to the PRA. The impact of the Basel III regulations has been reviewed by the group and has been factored into capital projections.

The group calculates credit and counterparty risk capital requirements using the PRA standardised rules. Market risk capital is calculated as a combination of approved VaR models and standardised methods. Operational risk is calculated on the standardised approach.

As part of the pillar II process, the group updates its ICAAP (internal capital adequacy assessment process) document which is the firm's self-assessment of capital requirements including for those risks not captured by pillar I. The group has implemented a macroeconomic stress testing model to assess the additional capital requirements and the impact on capital resource of adverse economic conditions. This forms part of the governance process and is incorporated into the ICAAP.

Economic capital

In addition to managing against the regulatory capital requirements, management also increasingly utilise more risk sensitive internal economic capital models to monitor and control the risk profile of the organisation. These cover:

- capital adequacy as measured by the ratio of available financial resources to economic capital consumption which forms part of the risk appetite;
- concentrations in exposures which are reviewed against limits and managed by the risk management committee; and
- economic capital utilisation and various related performance metrics which are reviewed by management and form part of the capital allocation process.

Regulatory capital

In addition to compliance with the requirements prescribed by the PRA, the group is required to meet minimum capital requirements of regulators in those countries in which it operates. Banking regulations are generally based on the guidelines developed by the Basel Committee under the auspices of the Bank for International Settlements. In addition to the requirements of host country regulators, all banking operations are also expected to comply with the capital adequacy requirements on a consolidated basis. The group maintained surplus capital over the minimum requirements prescribed by the PRA throughout the year.

The capital adequacy ratio, which reflects the capital strength of an entity compared to the minimum regulatory requirement, is calculated by dividing the capital held by that entity by its risk-weighted assets.

Capital is split into two tiers:

- Common equity tier I represents permanent forms of capital such as share capital, share premium and retained earnings less regulatory deductions; and
- Tier II includes medium to long-term subordinated debt, revaluation reserves and performing portfolio credit impairments.

Risk-weighted assets are determined by applying prescribed risk weightings to on- and off-balance sheet exposures according to the relative credit risk of the counterparty. Included in overall risk-weighted assets is a notional risk weighting for market risks, counterparty risks and large exposure risks relating to trading activities.

Capital resources

The table below sets out the qualifying capital of the regulated entity.

	2015 $m	2014 $m
Regulatory capital		
Common equity tier I		
Share capital	**1,083.5**	1,083.5
Share premium	**731.0**	431.0
Qualifying reserves	**(739.5)**	(499.7)
Less regulatory deductions	**(24.0)**	(58.5)
Total common equity tier I	**1,051.0**	956.3
Tier II		
Subordinated debt instruments	**392.3**	630.2
Credit impairment against performing loans	**6.3**	7.0
Less regulatory deductions	**-**	(14.3)
Total tier II	**398.6**	622.9
Total eligible capital	**1,449.6**	1,579.2

39. Pledged assets

The group enters into transactions in the normal course of business by which it transfers recognised financial assets directly to third parties. These transfers may give rise to full or partial derecognition of the financial assets concerned. Where the group has retained substantially all of the risks and rewards associated with the transferred assets, it continues to recognise these assets. To the extent that the counterparty is permitted to sell and / or re-pledge these assets in the absence of default, they are disclosed as encumbered in note 40 below.

Pledged assets also include a component of the group's commodity lease transactions. In terms of these transactions, the counterparty has the right to use the asset for a predetermined amount of time. Risks that the group remains exposed to include market, credit and interest rate risk. There are no associated liabilities recorded on the balance sheet for these transactions.

40. Encumbered financial assets

The group is required to provide cash margin placements with counterparties and clearing houses as part of its normal trading activities. These transactions are conducted under standard SIFMA / ICMA commissioned Global Master Repurchase Agreement (GMRA) terms and conditions. Total encumbered assets inclusive of both pledged assets and cash margin placements at 31 December 2015 were US$2,378.4 million (2014: US$2,633.5 million). The balance as of 31 December 2015 includes security provided under the legal proceedings mentioned in note 29.4, amounting to US$35.8 million (2014: US$41.6 million).

41. Collateral accepted as security for assets

As part of the group's financing activities, it receives securities and other financial assets that it is allowed to sell or re-pledge. Although the group is obliged to return equivalent securities, the risks and rewards associated with the securities remains with the external counterparty and the securities are not recognised on the group's balance sheet. The fair value of financial assets accepted as collateral that the group is permitted to sell or re-pledge in the absence of default is US$5,121.8 million (2014: US$4,931.2 million). This includes cash collateral of US$1,139.0 million (2014: US$1,530.8 million). The fair value of financial assets accepted as collateral that have been sold or re-pledged is US$158.3 million (2014: US$30.4 million). These transactions are conducted under standard SIFMA / ICMA commissioned GMRA / ISDA / FOA master agreement terms and conditions as well as requirements determined by exchanges where the group acts as intermediary.

42. Ultimate holding company

The largest group in which the results of the company are consolidated is that headed by Industrial and Commercial Bank of China Limited, a company incorporated in the People’s Republic of China.

Industrial and Commercial Bank of China Limited
No. 55 Fuxingmennei Avenue
Xicheng District
Beijing 100140
The People’s Republic of China

For more information on ICBC, please visit www.icbc.com.cn

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This section includes acronym and abbreviations as well as contact information

Other

Acronyms and Abbreviations

ALCO	Asset and liability committee
ALM	Asset and liability management
APB	Auditing Practices Board
BAC	Board audit committee
BIC	Business infrastructure committee
BRICS	Brazil, Russia, India, China and South Africa
BRMC	Board risk management committee
BS&R	Business support and recovery
CAM	Global markets core account management
Capcom	Capital and liquidity management committee
CCP	Contingent credit protection
CEEMECA	Central and Eastern Europe / Middle East / Central Asia
CEO	Chief Executive Officer
CFP	Contingency funding plan
CIB	Corporate and Investment Banking division
CGC	Credit governance committee
COMEX	Commodity exchange
Company	ICBC Standard Bank Plc company
CRD	Capital requirement directive
CRO	Chief Risk Officer
CRS	Common Reporting Standard
CSA	Credit Support Annex
CSE	Consolidated structured entity
CVA	Credit valuation adjustment
DCM	Debt Capital Markets
DVA	Own credit valuation adjustments
EAD	Exposure at default
Ecap	Economic capital
ECB	European Central Bank
EL	Expected loss
EMIR	European Market Infrastructure Regulation
EP	Economic profit
ERC	Equity risk committee
EU	European Union
EWI	Early warning indicator
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FIRB	Foundation internal ratings based
FOA	Futures and Options Association
GAC	Group audit committee
GROC	Group risk oversight committee
Group	ICBC Standard Bank Plc, its subsidiaries and CSEs
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICBC	Industrial and Commercial Bank of China Limited
ICBCS	ICBC Standard Bank Plc
ICMA	International Capital Market Association
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards as adopted by the EU
ILG	Individual liquidity guidance
IMF	International Monetary Fund
ISDA	International Swap Dealers Association
KRI	Key risk indicators
LGD	Loss given default
LCMT	Liquidity contingency management team
LME	London Metal Exchange
LRTS	Liquidity risk tolerance statement
LSC	Liquidity sub-committee
M&A	Merger and acquisition
MENA	Middle East and North Africa
MTF	Metal trading facilities
NBFI	Non-bank financial institution
OCI	Other comprehensive income
OIS	Overnight index based swap curves
OpCo	Operational risk committee
OTC	Over-the-counter
PBB	Personal and Business Banking
PCC	Pre-credit committee
PCMU	Physical commodities management unit
PCS	Private Client Services
PD	Probability of default
PFE	Potential future exposure
PIM	Principal Investment Management
PIT	Point in time
Plan	Quanto stock unit plan
PRA	Prudential Regulation Authority
PRMC	Portfolio risk management committee
QARM	Quantitative analytics and risk methods
Remco	Remuneration committee of the group
Repos	Repurchase agreements
RMC	Risk management committee
SARB	South African Reserve Bank
SBG	Standard Bank Group Limited and subsidiaries
SBLH	Standard Bank London Holdings Limited
SBSA	Standard Bank of South Africa Limited
SIFMA	Securities Industry and Financial Markets Association
SIH	Standard International Holdings S.A.
SPA	Sale and purchase agreement
STC	Structured transactions committee
TTC	Through the cycle
UL	Unexpected loss
VaR	Value-at-risk
VAT	Value added tax
ZAR	South African Rand

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