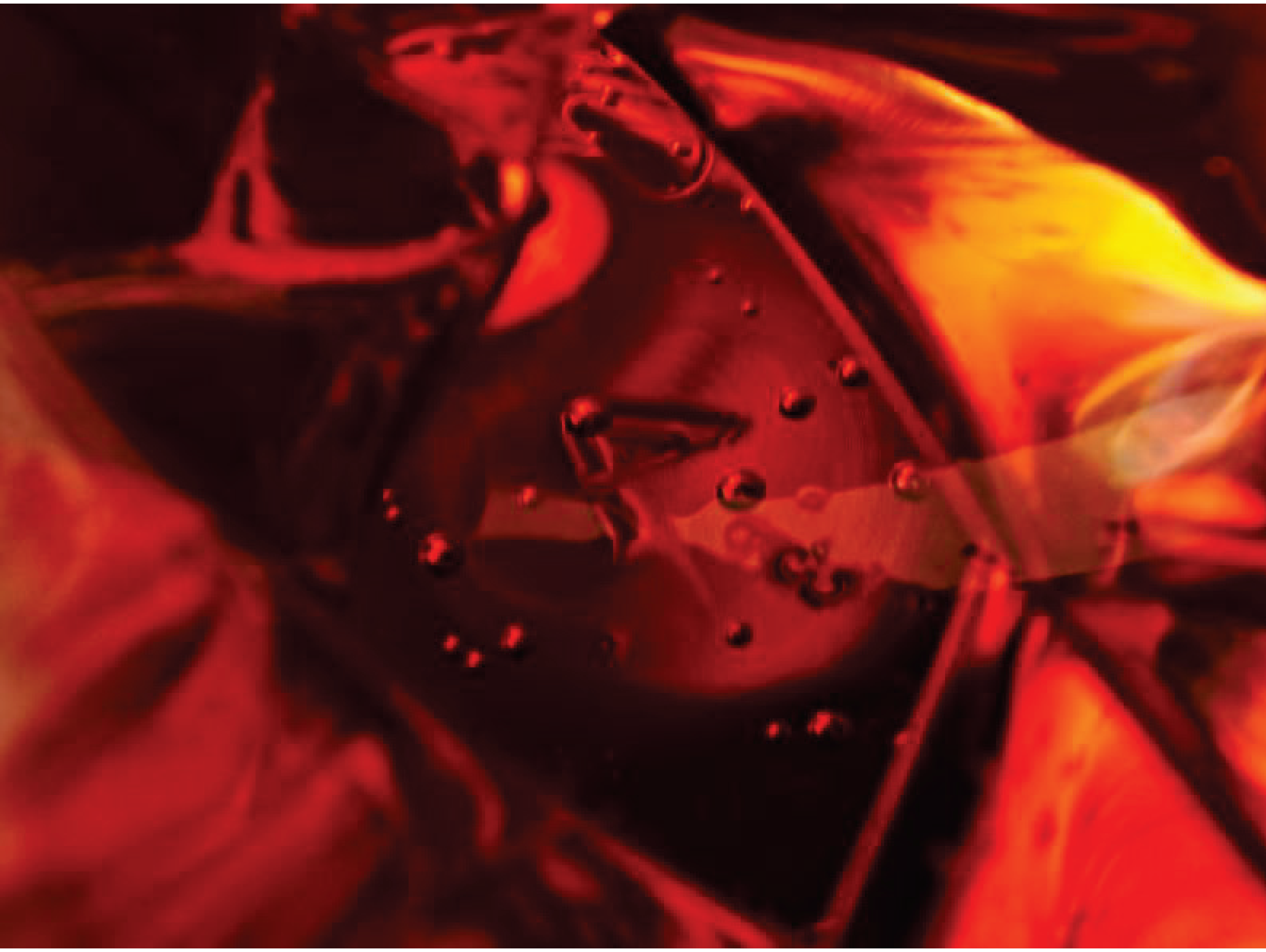
# Abridged consolidated results

for the year ended 31 December 2018

## ICBC Standard Bank Plc



## OVERVIEW

ICBC Standard Bank is a London-based banking specialist focused on the provision of Commodities, Financial Markets and Investment Banking solutions to clients in emerging and frontier markets.

## VISION, VALUES AND STRATEGIC PRIORITIES

### Our vision

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

### Underpinned by our values

- Client Centricity 客户至上
- Integrity 诚信为本
- Excellence 追求卓越
- Openness 公开透明
- Stakeholder Delivery 回馈各界

AT A G

### Our strategic priorities

Maximise group franchise value through integration

Focus our efforts where we are differentiated

Simplify to enable growth

## OWNERSHIP STRUCTURE

ICBC — 20% → Standard Bank

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

Pre-eminent Africa-focused financial services group

60% → ICBC Standard Bank Plc ← 40%

## OFFICES AND NUMBER OF EMPLOYEES


987
employees for the year

LANCE

## CREDIT RATING - ICBC STANDARD BANK

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

## GROUP PERFORMANCE 2018

| | |
|---|---|
| **Total Operating Income** | **$384.0m** |
| **Net Loss After Tax** | **$(14.8)m** |
| **Return on Equity** | **(1.2)%** |
| **Balance Sheet Assets** | **$24.6bn** |
| **Total Risk Weighted Assets** | **$6.5bn** |
| **Tier 1 Capital Adequacy Ratio** | **18.5%** |

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# 1. Overview and summary of results

## Introduction

ICBC Standard bank Plc ('the company') and its subsidiaries (together 'the group') is a leading financial markets and commodities bank that leverages its unique Chinese and African parentage to serve the growing needs of the primary base of Chinese clients, while also acting as a distribution platform for risk across Africa and other geographies.

The group specialises in global markets traded products including commodities, fixed income, currencies and equities, with a focus on emerging market jurisdictions. These span Asia, Africa, Central and Eastern Europe, the Middle East and Latin America. The group also offers a developing range of Investment Banking products and services.

The group employs 987 people and is headquartered in London, with additional operations in Dubai, Hong Kong, Singapore, New York and Tokyo. The group also maintains a commodities trading presence in Shanghai through its subsidiary, ICBC Standard Resources (China) Limited.

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

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

## Business model

### Global Markets

The Global Markets business offers a full spectrum of traded financial market and commodity assets and risk management products. The business originates exposures directly from clients and its market-making activities, which are subsequently risk managed and traded with other market participants, asset managers and clients through the group's distribution network.

The group's unique parentage of ICBC and SBG has expanded the strategic opportunity of the Global Markets business to serve the increasing demand for commodities, hedging and capital market products from Chinese clients.

The Global Markets business consists of Commodities, and Fixed Income, Currencies and Equities (FICE) business units.

**1. Commodities**

The Commodities business provides global trading, sales and structuring expertise through its Base Metals, Precious Metals and Energy teams. The division's expertise extends to the management and financing of physical commodity inventories across these asset classes.

**2. FICE**

FICE offers a comprehensive set of foreign exchange, money markets, interest rate, credit and equity products, ranging from simple risk management products to more complex structured transactions. The business unit is focused on emerging and frontier markets clients and covers all major African, Central and Eastern European, Middle Eastern, Asian and Latin American currencies and markets.

## Investment Banking

The Investment Banking business continues to develop its offering after being established more recently, in 2017. It comprises the Client Coverage (International and China), Debt and Equity Capital Markets, and Advisory teams. The business offers a complimentary product and service offering for the group's existing client base and generates valuable cross-sell opportunities.

## Market conditions

Favourable market conditions witnessed early in 2018 were largely due to improved global growth expectations, particularly for the USA and Euro area. These were reflected in upward revisions to the IMF's 2018 global growth forecast to 3.9%. The resulting period of price stabilisation and market calm was short-lived, however, as concerns around a potential US-China trade war came to the fore towards the end of quarter 1.

Quarter 2 saw a marked divergence in performance between developed and emerging markets (EM) assets. Politics, as much as economics, drove price volatility across asset classes and conditions in Turkey and Argentina were particularly volatile. For the most part, deterioration in asset prices appeared not to be driven by a slowdown in actual growth, but rather by a combination of weakening expectations and financial stress induced by the rise in US interest rates and a strengthening dollar. In addition, base metal markets were impacted by the US Treasury's announcement in April of sanctions against Rusal, leading to almost unprecedented levels of aluminium price volatility.

Early in quarter 3, the US imposed tariffs on an initial US$34 billion of imports from China, to which China responded with tariffs on an equivalent value of imports from the US. Against this backdrop, investors continued to cut their exposure to EM assets. Crude oil prices, which rallied on signs of still robust consumer demand and concerns about the effects of a reintroduction of US sanctions on Iran, added to the existing challenges faced by EM oil importers. September also saw the Federal Open Markets Committee (FOMC) enact a further 25bp increase in the Federal Funds Rate, at the same time as the US extended tariffs on Chinese imports.

The IMF cut both the 2018 and 2019 global growth forecasts by 0.2% in quarter 4, with the majority of revisions concentrated in EM. These downgrades arguably brought the IMF into line with what EM assets had already priced over the course of the previous quarter. Developed market equities, however, had been somewhat immune until the beginning of October, when the MSCI World index suffered a 6% fall in the space of five trading days.

The December G20 meeting provided some brief market relief, as the increase of US import tariffs on Chinese goods was delayed to allow for a resumption of negotiations. Slowing Chinese growth and a flattening US yield curve increased concerns about the potential for a global recession. These macro concerns weighed on the majority of asset prices, with the S&P 500 falling 15% over quarter 4 and increasing volatility into year end.

## Key performance indicators and business performance

Group performance for 2018 was mixed. Total operating income increased marginally year on year. Solid progress was made toward the group's culture agenda and enhanced risk and control measures that saw the group successfully meet key regulatory deliverables.

The group measures performance using both financial and non-financial indicators. Selected metrics are detailed below.

### Key performance indicators (KPIs)

| Financial KPIs | 2018 | 2017 |
|---|---|---|
| Total operating income | US$384.0 million | US$382.4 million |
| Net (loss)/profit after tax | US$(14.8) million | US$29.7 million |
| Total assets | US$24.6 billion | US$23.9 billion |
| Return on equity | (1.2)% | 2.4% |
| Total capital adequacy ratio | 22.2% | 20.0% |

| Non-financial performance | |
|---|---|
| Risk & control | The group met all regulatory requirements during the year, with major MiFID II deliverables achieved in line with the January 2018 implementation deadline and work for IOSCO progressing well. Work continues on change programmes for other market initiatives including EMIR collateral requirements, IBOR reform and the Securities Financing and Transactions Regulation.<br>Contingency planning for Brexit progressed and meetings were held with local EU regulators aimed at securing access to key markets following Brexit.<br>The group continued to review and invest in infrastructure, resulting in a more reliable and resilient technology platform by year end. There were no major technology outages in 2018 and a number of legacy applications/infrastructure items were successfully decommissioned. |
| Culture | The culture committee delivered a number of initiatives during 2018 in line with the group's agreed culture agenda. These included a new leadership development program with Henley business school, the launch of the group's Equity, Diversity and Inclusion (E, D & I) vision statement, and the use of employee focus groups to define how to 'live' the groups values.<br>The group-wide employee engagement score declined in 2018, however, with greater participation. In response, management have implemented a variety of engagement activities to address key areas of concern. These included group strategy cascade information sessions, team breakfasts, town halls and mental health awareness training. |
| Integration | The group successfully transitioned its existing sanction screening program and payments platform to ICBC platforms during 2018. This was a key step toward operational integration and demonstrates the benefits for the group in working closely with ICBC on both client business and the back of house operations and technology front. Leveraging ICBC operational capabilities in this way remains critical to the long term success of the group and its clients, and the management team is dedicated to pursuing this goal in a meaningful way.<br>From a business perspective, the DCM team successfully executed in excess of 80 deals in 2018, of which over 90% were in partnership with other ICBC entities. This relationship continues to grow stronger each year and delivers tangible benefits for both the group and its majority shareholder. |

The group's results for the year ended 31 December 2018 are shown in the consolidated income statement on page 11.

Total operating income was in line with prior year, ending the year at US$384.0 million. The result was below expectations with unfavourable market conditions affecting performance in both Commodities and FICE business lines. Operating costs increased by 2% compared with the prior year to US$379.1 million. The main drivers of the increase were investment in refinery intermediation capabilities and costs associated with the recovery of group-owned metal held in Penglai, China. The underlying cost growth, excluding these items, was favourable compared with prior year, delivering the fourth year of underlying cost reductions despite investment in regulatory change programmes, enhanced controls, system upgrades and revenue generating resources over the same period.

Overall, the group delivered a net loss after tax of US$(14.8) million. The operating income benefitted from a US$37.9 million gain in relation to the successful recovery of group-owned metal which had been held in Penglai, China, as part of a fraud investigation ongoing since 2015.

The reported loss for 2018 represented a negative return on equity of 1.2%, compared to 2.4% in the prior year.

Total assets at 31 December 2018 were US$24.6 billion, representing an increase of 3% on prior year. The increase was primarily attributable to higher precious metals and oil inventory holdings.

The increase in the group's capital adequacy ratio reflects reduced RWA deployment that occurred as a consequence of the weak investor sentiment towards EM assets during the year.

**Commodities**

Revenues of the Commodities business were US$141.4 million (2017: US$98.5 million). The result includes a US$37.9 million gain from the successful recovery of the group's aluminium in Penglai, China. The business delivered an improved performance in Base Metals, and the Energy business line executed a significant transaction with a US refinery, which supported revenue growth. This was partially offset by lower revenues from the Precious Metals desk, which was adversely impacted by a client default during the year.

To complement the well-established metals franchise, the business will continue to focus on expanding its oil trading capabilities in the near term to leverage the investment made during 2018.

**FICE**

Total operating income of the FICE business was US$232.1 million in 2018 (2017: US$274.7 million). The Emerging Markets business was adversely impacted by the prevailing market conditions, while the Structured Credit and Collateralised Lending franchise delivered a modest year-on-year improvement.

Client revenues grew in the year.

In addition to its market leading global investor franchise, the FICE business continued to invest in three key areas:

- China sales franchise focussing on ICBC and its clients;
- Corporate, financial institutions and sovereign franchise leveraging the emerging markets and African expertise; and
- A structured solutions sales team specialising in bespoke financing and liability management solutions for clients.

A number of significant transactions were executed with ICBC clients in 2018, including large financing and risk management deals.

The FICE strategy is underpinned by continued investment in the global investor franchise as well as origination and structuring capabilities to enhance the client offering.

**Investment Banking**

Further progress was made towards building the Investment Banking franchise which achieved total fee revenue of US$10.5 million.

Debt Capital Markets revenue grew against prior year, with an increased number of joint lead roles with top tier corporates. In excess of 80 deals were executed with over 90% of these in partnership with other ICBC entities, demonstrating the benefits of business cooperation within the ICBC Group. This positive momentum continued into 2019 as the group, in cooperation with ICBC New York branch, became the first Chinese Bank to act as joint book-runner on a Euro bond distribution for a major US corporate.

The Coverage business maintained its focus on building a core client base and generating cross-product referrals from target clients. The number of Coverage employees based in London reduced during the year with investment redirected to a China-based team focused on supporting the ICBC franchise.

## Summary

Performance in 2018 was in line with the broader Global Markets industry performance. The challenging conditions that evolved across emerging markets during the year weighed on group performance, resulting in a full year profit result that fell short of expectations. Despite this, the group remains well positioned in the market with a product and service offering that both new and existing clients value, as demonstrated by increased client-based revenues during the year.

Investment made in 2018 to build out the Energy business is expected to drive growth in the Commodities business over coming years. The group's growing capabilities in energy are a key differentiator versus peers and are increasingly recognised by clients as market leading.

The FICE business will continue to focus on building recurring and stable revenue streams from its client base through high quality flow and financing business. This will, in turn, gradually reduce the relative contribution of less predictable revenue sources and accordingly improve the quality of earnings for the group over the medium term.

Integration with ICBC group will remain a driving force for action in 2019, with further opportunities to leverage operational and business capabilities being explored. The management team remain dedicated to pursuing integration and cooperation in a meaningful way as part of the ICBC group.

# 2. Key financial results, ratio and statistics

## at 31 December 2018

| Income statement | December 2018 $m | December 2017 $m |
|---|---|---|
| Operating income (before impairments) | **384.0** | 382.4 |
| Operating expenses | **(379.1)** | (371.3) |
| (Loss) / profit attributable to equity shareholders | **(14.8)** | 29.7 |
| **Balance sheet** | | |
| Equity attributable to ordinary shareholders | **1,257.8** | 1,282.3 |
| Total assets | **24,574.5** | 23,853.7 |
| **Capital adequacy** | | |
| Risk-weighted assets | **6,500.2** | 7,887.7 |
| Common equity tier 1 | **1,204.0** | 1,229.5 |
| Common equity tier 1 capital adequacy ratio (%) | **18.5** | 15.6 |
| Total capital adequacy ratio (%) | **22.2** | 20.0 |

# 3. Consolidated balance sheet

## at 31 December 2018

| Assets | **December 2018 $m Audited** | December 2017 $m Audited |
|---|---|---|
| Cash and balances with central banks | **1,920.9** | 2,989.5 |
| Due from banks and other financial institutions | **1,579.5** | 2,059.5 |
| Financial assets held for trading | **1,582.4** | 2,579.5 |
| Non-trading financial assets at fair value through profit or loss | **1,340.7** | 1,335.9 |
| Derivative financial assets | **4,019.8** | 4,299.5 |
| Reverse repurchase agreements | **4,060.9** | 4,705.5 |
| Loans and advances to customers | **737.3** | 606.9 |
| Financial investments | **1,952.3** | 962.0 |
| Property and equipment | **20.2** | 18.9 |
| Current tax assets | **0.3** | 0.4 |
| Deferred tax assets | **0.3** | 1.1 |
| Other assets | **7,359.9** | 4,295.0 |
| **Total assets** | **24,574.5** | 23,853.7 |
| | | |
| **Liabilities and equity** | | |
| **Liabilities** | **23,316.7** | 22,571.4 |
| Financial liabilities held for trading | **855.6** | 1,544.2 |
| Non-trading financial liabilities at fair value through profit or loss | **1,257.7** | 1,337.6 |
| Derivative financial liabilities | **4,134.7** | 4,652.6 |
| Due to banks and other financial institutions | **9,271.7** | 10,120.3 |
| Repurchase agreements | **1,114.7** | 1,794.2 |
| Certificates of deposit | **-** | 16.7 |
| Due to customers | **469.7** | 600.8 |
| Current tax liabilities | **0.8** | 0.7 |
| Subordinated debt | **659.8** | 668.4 |
| Other liabilities | **5,552.5** | 1,835.9 |
| | | |
| **Equity** | | |
| **Equity attributable to ordinary shareholders** | **1,257.8** | 1,282.3 |
| Share capital | **1,083.5** | 1,083.5 |
| Ordinary share premium | **996.0** | 996.0 |
| Reserves | **(821.7)** | (797.2) |
| | | |
| **Total liabilities and equity** | **24,574.5** | 23,853.7 |

# 4. Consolidated income statement

## for the year ended 31 December 2018

| | **December 2018 $m Audited** | December 2017 $m Audited |
|---|---|---|
| **Net interest income** | **70.9** | 80.7 |
| Interest income | **249.9** | 191.3 |
| Interest expense | **(179.0)** | (110.6) |
| **Non-interest revenue** | **313.1** | 301.7 |
| Net fees and commission | **44.1** | 31.1 |
| Fees and commission income | **55.9** | 42.7 |
| Fees and commission expense | **(11.8)** | (11.6) |
| Trading revenue | **216.2** | 248.8 |
| Net gain on non-trading financial assets and liabilities at fair value through profit or loss | **14.9** | 21.8 |
| Gain on commodity reverse repurchase agreements | **37.9** | - |
| **Total operating income** | **384.0** | 382.4 |
| Credit impairment (charges) / recoveries | **(0.7)** | 8.4 |
| **Income after impairments** | **383.3** | 390.8 |
| **Operating expenses** | **(379.1)** | (371.3) |
| Staff costs | **(243.5)** | (262.2) |
| Other operating expenses | **(130.4)** | (103.2) |
| Indirect taxation | **(5.2)** | (5.9) |
| **Profit before taxation** | **4.2** | 19.5 |
| Income tax (charge)/ credit | **(19.0)** | 10.2 |
| **(Loss) / profit attributable to equity shareholders** | **(14.8)** | 29.7 |

# 5. Consolidated statement of comprehensive income

## for the year ended 31 December 2018

| | **December 2018 $m Audited** | December 2017 $m Audited |
|---|---|---|
| **(Loss) / profit attributable to equity shareholders** | **(14.8)** | 29.7 |
| **Items that may be reclassified subsequently to profit or loss[1]** | | |
| Foreign currency translation reserve | **(3.9)** | 4.7 |
| Net investment hedge reserve | **-** | (1.7) |
| Cash flow hedging reserve[2] | **(4.9)** | 25.1 |
| Effective portion of changes in fair value | **(8.6)** | 14.6 |
| Net amount transferred to profit or loss | **3.7** | 10.5 |
| Changes in fair value of available-for-sale assets | **N/A** | 2.6 |
| Changes in fair value of debt instruments measured at FVOCI | **(0.9)** | N/A |
| **Total comprehensive (loss) / profit attributable to equity shareholders** | **(24.5)** | 60.4 |

1. Amounts are presented net after tax
2. The cash flow hedges relate to hedges of the group's cost base for future highly probable expenses in currencies other than US dollars (i.e. the company's functional currency and group's reporting currency) and hedges of the long term incentive liability due to changes in the ICBC and Standard Bank Group share prices

# 6. Consolidated statement of changes in shareholders' equity

## for the year ended 31 December 2018

| | Ordinary share capital and share premium $m Audited | Cash flow hedging reserve $m Audited | FVOCI reserve[2] $m Audited | Foreign currency translation reserve $m Audited | Net investment hedge reserve $m Audited | Retained earnings $m Audited | Total equity $m Audited |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | 1,814.5 | (22.0) | 1.0 | (2.1) | - | (834.5) | 956.9 |
| Total comprehensive profit / (loss) for the year | - | 25.1 | 2.6 | 4.7 | (1.7) | 29.7 | 60.4 |
| Issue of share capital and share premium[1] | 265.0 | - | - | - | - | - | 265.0 |
| **Balance at 31 December 2017** | 2,079.5 | 3.1 | 3.6 | 2.6 | (1.7) | (804.8) | 1,282.3 |
| Balance at 1 January 2018 | **2,079.5** | **3.1** | **3.6** | **2.6** | **(1.7)** | **(804.8)** | **1,282.3** |
| Changes on initial application of IFRS 9 | **-** | **-** | **(2.0)** | **-** | **-** | **2.0** | **-** |
| **Restated balance at 1 January 2018** | **2,079.5** | **3.1** | **1.6** | **2.6** | **(1.7)** | **(802.8)** | **1,282.3** |
| Total comprehensive loss for the year | **-** | **(4.9)** | **(0.9)** | **(3.9)** | **-** | **(14.8)** | **(24.5)** |
| **Balance at 31 December 2018** | **2,079.5** | **(1.8)** | **0.7** | **(1.3)** | **(1.7)** | **(817.6)** | **1,257.8** |

1. On 13 January 2017, the company issued an additional 25 ordinary shares of US$1 each to ICBC (15 shares) and Standard Bank London Holdings Limited (10 shares), at a share premium of US$10.6 million per share.
2. Prior year balances represented the IAS 39 available-for-sale fair value reserve.

# 7. Accounting policies and future accounting developments

## Accounting policies

The financial results and financial position set out on pages 10 to 13 are extracts from the financial statements in the group's consolidated annual report for the year ended 31 December 2018.

The group's annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the going concern principle.

The group's annual financial statements were prepared on the historical cost basis except as modified by the fair value accounting for certain assets and liabilities where required or permitted by IFRS. The accounting policies were consistent with those adopted in the previous year except as noted below.

### IFRS 9 Financial Instruments

The group adopted IFRS 9, Financial Instruments (IFRS 9), with effect from 1 January 2018. This includes adoption of Prepayment Features with Negative Compensation (Amendments to IFRS 9), which is effective for annual periods commencing on or after 1 January 2019, with early adoption permitted. IFRS 9 was applied retrospectively by adjusting the opening balance sheet at the date of initial application. Comparative periods have not been restated. The transition to IFRS 9 had no material impact on the consolidated financial statements of the group.

### IFRS 15 Revenue from contracts with customers

The group adopted IFRS 15, Revenue from contracts with customers (IFRS 15), with effect from 1 January 2018. No transition adjustments were required on adoption of IFRS 15 and the transition to IFRS 15 had no material impact on the consolidated financial statements of the group.

## Future accounting developments

IFRS 16 *Leases* will apply to the group from 1 January 2019. 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 group will apply IFRS 16 using the simplified transition approach, with right of use assets measured at the amount of the lease liability (adjusted for any prepaid lease expenses, onerous lease provisions previously recognised under IAS 37 and certain lease incentives). Prior year comparative information will not be restated.

At 1 January 2019, the group expects to recognise an increase in assets and liabilities of approximately US$73 million and a marginal reduction in net profit before tax for 2019 as a result of adopting IFRS 16.

# 8. Financial instruments measured at fair value

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

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

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

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

| **2018** | **Composition %** | **Asset $m** | **Composition %** | **Liability $m** |
|---|---|---|---|---|
| Level 1 | **29.6** | **2,637.0** | **9.1** | **567.5** |
| Level 2 | **67.6** | **6,010.2** | **83.1** | **5,195.4** |
| Level 3 | **2.8** | **248.0** | **7.8** | **485.1** |
| **Financial instruments at fair value** | **100.0** | **8,895.2** | **100.0** | **6,248.0** |
| Reconciled as follows: | | | | |
| Fair value through other comprehensive income | | **1,952.3** | | **-** |
| Held for trading | | **5,602.2** | | **4,990.3** |
| Non-trading financial instruments at fair value through profit or loss | | **1,340.7** | | **1,257.7** |
| | | **8,895.2** | | **6,248.0** |
| 2017 | | | | |
| Level 1 | 23.4 | 2,144.7 | 18.2 | 1,373.5 |
| Level 2 | 74.0 | 6,796.1 | 76.4 | 5,751.6 |
| Level 3 | 2.6 | 236.1 | 5.4 | 409.3 |
| Financial instruments at fair value | 100.0 | 9,176.9 | 100.0 | 7,534.4 |
| Reconciled as follows: | | | | |
| Available-for-sale | | 962.0 | | - |
| Held for trading | | 6,879.0 | | 6,196.8 |
| Designated at fair value | | 1,335.9 | | 1,337.6 |
| | | 9,176.9 | | 7,534.4 |

# 9. Credit quality

## Maximum on-balance sheet credit risk exposure

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

| | Performing | Non-performing | | | Gross credit exposure |
|---|---|---|---|---|---|
| | Neither past due nor impaired | Past due but not specifically impaired | | Specifically impaired | |
| | | < 90 days | >= 90 days | | |
| **2018** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Cash and balances with central banks | **1,920.9** | - | - | - | **1,920.9** |
| Due from banks and other financial institutions | **1,580.4** | - | - | - | **1,580.4** |
| Financial assets held for trading | **1,546.1** | - | - | - | **1,546.1** |
| Non-trading financial assets at fair value through profit or loss | **1,334.5** | - | - | - | **1,334.5** |
| Derivative financial assets | **4,019.8** | - | - | - | **4,019.8** |
| Reverse repurchase agreements | **4,061.4** | - | - | - | **4,061.4** |
| Loans and advances to customers | **739.7** | - | - | **0.2** | **739.9** |
| Financial investments | **1,952.3** | - | - | - | **1,952.3** |
| Gross on-balance sheet credit exposure | **17,155.1** | - | - | **0.2** | **13,005.7** |
| 2017 | | | | | |
| Financial assets designated at fair value through profit or loss | 1,330.1 | - | - | - | 1,330.1 |
| Derivative financial assets | 4,299.5 | - | - | - | 4,299.5 |
| Due from banks and other financial institutions | 2,059.5 | - | - | - | 2,059.5 |
| Reverse repurchase agreements | 4,705.5 | - | - | - | 4,705.5 |
| Loans and advances to customers | 610.6 | - | - | 0.5 | 611.1 |
| Gross on-balance sheet credit exposure | 13,005.2 | - | - | 0.5 | 13,005.7 |

## Analysis of gross balances subject to three stage expected credit loss (ECL) model

| | Stage 1 | Stage 2 | Stage 3 | | | |
|---|---|---|---|---|---|---|
| | | | Sub-standard | Doubtful | Loss | Total |
| **2018** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Cash and balances with central banks | **1,920.9** | - | - | - | - | **1,920.9** |
| Due from banks and other financial institutions | **1,580.4** | - | - | - | - | **1,580.4** |
| Reverse repurchase agreements | **4,061.4** | - | - | - | - | **4,061.4** |
| Loans and advances to customers | **705.1** | **34.6** | - | **0.2** | - | **739.9** |
| Financial investments | **1,952.3** | - | - | - | - | **1,952.3** |
| Commitments and financial guarantees given | **36.8** | - | - | - | - | **36.8** |
| **Total** | **10,256.9** | **34.6** | - | **0.2** | - | **10,291.7** |

# 10. Deposits

## Due to banks and other financial institutions

| | **December 2018 $m Audited** | December 2017 $m Audited |
|---|---|---|
| Due to banks | **8,397.3** | 8,966.9 |
| Other financial institutions | **873.9** | 1,153.4 |
| | **9,271.2** | 10,120.3 |

## Repurchase agreements

| | **December 2018 $m Audited** | December 2017 $m Audited |
|---|---|---|
| Banks and other financial institutions | **1,114.7** | 1,794.2 |
| | **1,114.7** | 1,794.2 |

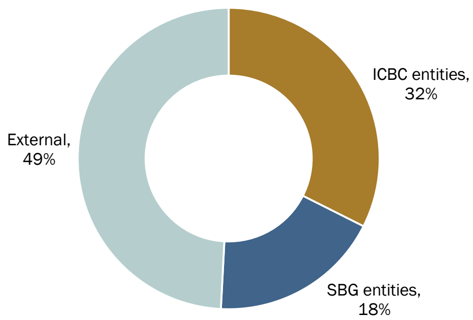
## Certificates of deposit

| | **December 2018 $m Audited** | December 2017 $m Audited |
|---|---|---|
| Commercial paper | **-** | 16.7 |
| | **-** | 16.7 |

## Due to customers

| | **December 2018 $m Audited** | December 2017 $m Audited |
|---|---|---|
| Call deposits | **299.1** | 386.7 |
| Term deposits | **170.6** | 214.1 |
| | **469.7** | 600.8 |

## Deposit providers



# 11. Value at risk

## Analysis of trading book market risk exposures

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

The group's trading units achieved a positive actual income for over 81% of the trading days in 2018 (2017: 80%). The average daily trading revenue earned in 2018 was US$1.3 million (2017: US$1.1 million), with a standard deviation of US$3.0 million (2017: US$1.9 million). During the year, there were no back-testing exceptions at a 99% confidence level (2017: none).

| | Normal VaR[2] | | | |
|---|---|---|---|---|
| | **Maximum[1]** | **Minimum[1]** | **Average** | **Year end** |
| **2018** | **$m** | **$m** | **$m** | **$m** |
| Commodities | **2.6** | **0.8** | **1.5** | **1.6** |
| Foreign exchange | **1.2** | **0.4** | **0.8** | **1.1** |
| Equities | **1.6** | **0.5** | **0.7** | **0.7** |
| Debt securities | **1.8** | **0.1** | **1.2** | **1.1** |
| Diversification benefit[4] | | | | **(2.1)** |
| Total | | | | **2.4** |

| | Stress VaR[3] | |
|---|---|---|
| | **December 2018 $m Audited** | December 2017 $m Audited |
| Commodities | **4.4** | 7.1 |
| Foreign exchange | **8.0** | 7.7 |
| Equities | **2.4** | 6.9 |
| Debt securities | **27.6** | 18.0 |
| Diversification benefit[4] | **(17.1)** | (15.3) |
| Total | **25.3** | 24.4 |

| | Normal VaR[2] | | | |
|---|---|---|---|---|
| | Maximum[1] | Minimum[1] | Average | Year end |
| 2017 | $m | $m | $m | $m |
| Commodities | 2.6 | 1.0 | 1.4 | 1.4 |
| Foreign exchange | 2.5 | 0.6 | 1.2 | 0.8 |
| Equities | 1.4 | 0.3 | 0.5 | 1.3 |
| Debt securities | 4.7 | 1.5 | 2.1 | 1.6 |
| Diversification benefit[4] | | | | (2.3) |
| Total | | | | 2.8 |

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 ten 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.

**ICBC Standard Bank Plc | Financial Markets and Commodities**
20 Gresham Street | London EC2V 7JE, United Kingdom