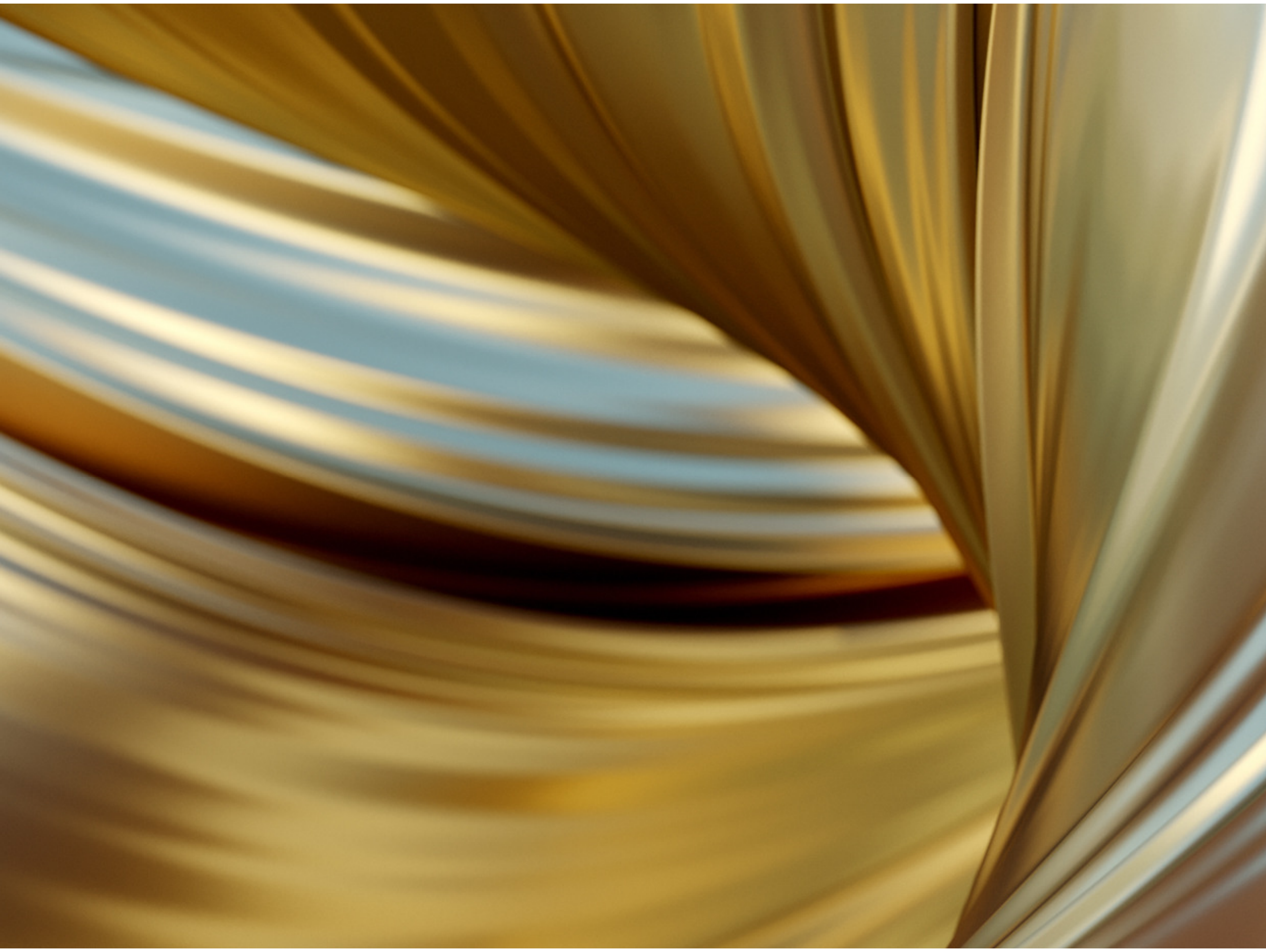
ICBC Standard Bank

ICBC Standard Bank Plc

Unaudited interim results

for the period ended 30 June 2020



www.icbcstandard.com

AT A GLANCE

OVERVIEW

ICBC Standard Bank is a London-based banking specialist, focused on the provision of Commodities and Financial Markets solutions, to its global client base.

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

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.

Pre-eminent Africa-focused financial services group

ICBC 60% → ICBC Standard Bank ← 40% Standard Bank

CREDIT RATING - ICBC STANDARD BANK

	Short Term	Long Term	Outlook
Fitch	F1	A-	Stable
Moody's	P3	Baa3	Stable

OFFICES AND NUMBER OF EMPLOYEES

855

employees

GROUP PERFORMANCE 30 JUNE 2020

$262.1m	$70.3m	11.9%
Total Operating Income	**Net Profit After Tax**	**Return on Equity**
$7.5bn	$27.5bn	14.7%
Total Risk Weighted Assets	**Balance Sheet Assets**	**Tier 1 Capital Adequacy Ratio**

Contents

Overview and summary of results

Introduction

ICBC Standard Bank Plc ("the company") and its subsidiaries (together "the group") is a financial markets and commodities bank, which leverages its unique Chinese and African parentage to serve the growing needs of its 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 and currencies, with a focus on frontier and emerging market jurisdictions. These span Asia, Africa, Central and Eastern Europe, the Middle East and Latin America.

The group employs 855 people and is headquartered in London, with additional operations in Singapore and New York. It 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 the London Metals Exchange, London Stock Exchange and Tokyo Commodities Exchange, and 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 wide 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 Industrial and Commercial Bank of China Limited (ICBC) and Standard Bank Group (SBG) has expanded the strategic opportunity of the Global Markets business to serve the increasing demand for commodities, hedging and capital markets products from Chinese clients.

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. The company is one of five members of London Precious Metals Clearing Limited, offering vaulting and clearing services for clients, including safe custody for physical bullion at its own vault in London and at market recognised vaults globally.

2 Fixed Income and Currencies

The Fixed Income and Currencies (FIC) business offers a comprehensive set of foreign exchange, money markets, interest rate and credit products, ranging from risk management products to complex structured transactions.

FIC also includes the Debt Capital Markets business which provides origination, structuring and execution capabilities, which are complimentary to the shareholders' existing client base.

Market conditions

At the start of the period the economic and market outlook was fairly benign. This swiftly changed in Q1 as the international spread of Covid-19 materially impacted world economies.

Many countries implemented safety measures to contain the spread of the disease, leading to significant near-term supply chain disruptions. Compounded by diminishing aggregate demand, the stall in economic activity saw a marked rise in global unemployment.

In response, governments and central banks implemented looser monetary policies and asset purchase programmes to limit the cost of borrowing and improve market liquidity provisions. Meanwhile, extraordinary fiscal and financial countermeasures (amounting to circa USD11 trillion globally according to the IMF) sought to minimise immediate economic financial losses.

Reduced economic activity and uncertainty led to unprecedented market dislocations, particularly in crude oil products as the WTI May futures expired with a negative price.

As Covid-19 spread, global financial markets showed unprecedented market volatility and significant reduction in asset prices. Investors were drawn to 'safe-haven' assets; gold prices rallied 17% over the period, and continue to trade near all-time highs.

In Q2, financial markets have somewhat recovered, with asset prices rising from Q1 lows.

There are tentative signs of economic recovery in some countries, notably China, as government imposed restrictions are relaxed.

At the end of Q2 the full economic impact of the Covid-19 global pandemic has not been realised; the outlook for the global economy remains uncertain with risk of second-round pandemic shocks and rising geopolitical tensions. In June, the IMF revised down its 2020 global growth forecast to –4.9%.

Financial results

The group's results for the six months ended 30 June 2020 are shown in the consolidated income statement on page 9.

The profit attributable to shareholders for the period is US$70.3 million. This compares to a loss of US$129.5 million for the six months ended 30 June 2019 and a loss of US$248.2 million for the full year 2019.

Total operating income for the first half of 2020 of US$262.1 million was 283.2% higher than for the equivalent period in the prior year (US$68.4 million).

Revenues for the Commodities business were largely driven by the Metals franchise which saw good client flow during the period. This was supplemented by gains from the monetisation of the market dislocation on Exchange for Physical Gold Futures, which was a result of the Covid-19 pandemic constraining refinery capacity and global transportation networks. The Energy franchise remained steady, but business volumes were hampered by record low oil prices as a result of the decrease in global demand. Revenues for the Commodities business also include US$25.1 million received in March 2020 in settlement of the group's insurance claim for losses incurred on a series of commodities financing transactions executed in 2014, due to fraud.

Within FIC, the Emerging Markets franchise delivered a strong result – the trading performance reflected solid risk management as the business navigated the volatile financial markets during Q2. The Credit Trading desk achieved record volumes as clients repositioned their portfolios, and the Local Markets business navigated further changes in the Nigerian foreign exchange markets. The Structured Solutions franchise faced a challenging period during the first half of 2020, and was adversely impacted by FX volatility on certain structured positions during the period of market stress. Debt Capital Markets continued to deliver significant growth by leveraging ICBC group's client franchises.

Operating costs of US$177.3 million were lower than prior year (US$193.4 million). The decrease reflects the impact of lower headcount levels and the group's streamlined operating structure following regional office and business line closures; the current period includes restructuring costs of US$5.6 million relating to this business and geographic simplification. The income tax charge increased to US$15.2 million which is higher than the prior year (US$4.8 million), due to a current tax accrual for the HY 2020 profits generated.

Total assets at 30 June 2020 were US$27.5 billion, representing an increase of 11.4% on prior year (US$24.7 billion), and 12.8% on year end (US$24.4 billion).

The increase on prior year of US$2.8 billion is primarily attributable to volatility in the markets in 2020 due to the economic impact of the Covid-19 pandemic. Fair value spikes have increased derivative financial assets by US$1.9 billion, and higher levels of margin and collateral placements contributed to an increase in due from banks and other financial institutions of US$0.7 billion. Additionally, cash and balances with central banks have increased US$1.3 billion, although this has been almost wholly offset by not only a reduction in loans and advances to customers of US$0.8 billion, but also in financial investments, US$0.4 billion, due to net maturities in the group's liquid asset bond portfolio.

Total liabilities at 30 June 2020 were US$26.3 billion, representing an increase of 11.5% on prior year (US$23.6 billion) and 13.2% on year end (US$23.3 billion).

The increase on prior year was largely attributable to an increase in derivative financial liabilities, US$2.0 billion, deposits from customers, US$0.6 billion, and collateralised borrowing in the form of repurchase agreements, US$0.4 billion. This was partially offset by a reduction in subordinated debt of US$0.4 billion, which is a combination of the maturity of a tier 2 eligible capital instrument for US$0.5 billion in Q4 2019, and a new issuance of a tier 2 eligible capital instrument in Q3 2019 for US$0.1 billion.

Capital resources

At 30 June 2020, the group's equity capital resources amounted to US$1,236.0 million (30 June 2019: US$1,124.4 million) and total capital resources qualifying for prudential purposes were US$1,355.3 million (30 June 2019: US$1,258.0 million).

The group’s capital resources at 30 June 2020 reflect the receipt of US$100.0 million of floating rate subordinated debt issued to ICBC in July 2019 (tier 2 capital) and US$160.0 million of additional tier 1 (AT1) capital also issued to ICBC in December 2019. The additional capital replaced tier 2 capital maturing in December 2019 and replenished the group’s capital base following the losses incurred in 2019.

The group remains strongly capitalised at 30 June 2020, with a total capital adequacy ratio of 18.0% (30 June 2019: 15.3%), a tier 1 capital ratio of 14.7% (30 June 2019: 13.0%), a common equity tier 1 (CET1) capital ratio of 12.6% (30 June 2019: 13.0%) and risk weighted assets of US$7,527.4 million (30 June 2019: US$8,218.9 million).

The group’s leverage ratio at 30 June 2020, which measures tier 1 capital to a defined measure of on-balance sheet assets and certain off-balance sheet items, was 4.5% (30 June 2019: 4.4%). A minimum leverage ratio of 3% is expected to be applied by the PRA from 2021.

Key financial results, ratios and statistics

at 30 June 2020

Income statement	June 2020 $m	June 2019 $m	December 2019 $m
Operating income (after impairments, before losses on commodity inventory intermediation)	**264.9**	178.7	335.7
Loss on commodity inventory intermediation	**(2.1)**	(110.0)	(198.7)
Operating income (after impairments and losses on commodity inventory intermediation)	**262.8**	68.7	137.0
Operating expenses	**(177.3)**	(193.4)	(374.4)
Profit/(loss) attributable to equity shareholders	**70.3**	(129.5)	(248.2)
Balance sheet			
Equity attributable to ordinary shareholders	**1,236.0**	1,124.4	1,173.5
Total assets	**27,549.1**	24,733.7	24,425.5
Capital adequacy			
Risk-weighted assets	**7,527.4**	8,218.9	6,952.8
Total Tier 1 capital	**1,105.3**	1,065.6	1,108.3
Tier 1 capital adequacy ratio (%)	**14.7**	13.0	15.9
Total capital adequacy ratio (%)	**18.0**	15.3	19.5

Consolidated balance sheet

at 30 June 2020

	June 2020 $m	June 2019 $m	December 2019 $m
Assets	**Unaudited**	Unaudited	Audited
Cash and balances with central banks	**2,642.5**	1,321.7	2,844.3
Due from banks and other financial institutions	**2,510.2**	1,792.8	1,768.3
Financial assets held for trading	**1,801.1**	2,067.7	1,920.0
Non-trading financial assets at fair value	**1,225.5**	1,422.7	1,305.3
Derivative financial assets	**5,684.6**	3,801.4	3,981.9
Reverse repurchase agreements	**4,174.0**	3,587.8	3,210.3
Loans and advances to customers	**421.1**	1,217.7	798.4
Financial investments	**1,680.4**	2,112.6	1,865.5
Property and equipment	**68.5**	86.6	72.2
Current tax assets	**0.3**	-	0.5
Deferred tax assets	**0.4**	0.2	0.4
Other assets	**7,340.5**	7,322.5	6,658.4
Non-financial assets held for trading	**6,925.4**	6,837.3	6,198.0
Other	**415.1**	485.2	460.4
Total assets	**27,549.1**	24,733.7	24,425.5
Liabilities and equity			
Liabilities	**26,313.1**	23,609.3	23,252.0
Financial liabilities held for trading	**1,238.6**	1,156.8	1,310.3
Non-trading financial liabilities at fair value	**1,202.1**	1,251.7	1,227.6
Derivative financial liabilities	**6,311.7**	4,325.0	4,563.8
Due to banks and other financial institutions	**8,732.9**	8,896.3	8,639.7
Repurchase agreements	**2,324.0**	1,903.5	1,560.8
Due to customers	**1,429.2**	876.6	424.6
Current tax liabilities	**10.1**	2.3	3.1
Subordinated debt	**250.9**	659.8	251.2
Other liabilities	**4,813.6**	4,537.3	5,270.9
Precious metal payables	**4,466.7**	3,772.3	4,916.2
Other	**346.9**	765.0	354.7
Equity			
Equity attributable to shareholders	**1,236.0**	1,124.4	1,173.5
Share capital	**1,083.5**	1,083.5	1,083.5
Ordinary share premium	**996.0**	996.0	996.0
Other equity instruments	**160.0**	-	160.0
Reserves	**(1,003.5)**	(955.1)	(1,066.0)
Total liabilities and equity	**27,549.1**	24,733.7	24,425.5

Consolidated income statement

for the period ended 30 June 2020

	June 2020 $m Unaudited	June 2019 $m Unaudited	December 2019 $m Audited
Net interest income	**53.3**	42.3	91.8
Interest income	**105.9**	156.2	296.8
Interest expense	**(52.6)**	(113.9)	(205.0)
Non-interest revenue	**208.8**	26.1	45.6
Net fees and commission	**19.3**	19.8	28.1
Fees and commission income	**39.0**	28.2	44.7
Fees and commission expense	**(19.7)**	(8.4)	(16.6)
Trading revenue	**150.1**	115.1	213.0
Net gain on financial assets and liabilities at fair value through profit or loss	**16.4**	1.2	3.2
Loss on commodity inventory intermediation	**(2.1)**	(110.0)	(198.7)
Recovery on commodity reverse repurchase agreements	**25.1**	-	-
Total operating income	**262.1**	68.4	137.4
Credit impairment recovery/(charge)	**0.7**	0.3	(0.4)
Income after impairments	**262.8**	68.7	137.0
Operating expenses	**(177.3)**	(193.4)	(374.4)
Staff costs	**(107.7)**	(128.9)	(216.4)
Other operating expenses	**(60.1)**	(60.6)	(123.9)
Restructuring costs	**(5.6)**	-	(29.6)
Indirect taxation	**(3.9)**	(3.9)	(4.5)
Profit/(loss) before taxation	**85.5**	(124.7)	(237.4)
Income tax charge	**(15.2)**	(4.8)	(10.8)
Profit/(loss) attributable to equity shareholders	**70.3**	(129.5)	(248.2)

Consolidated statement of comprehensive income

for the period ended 30 June 2020

	June 2020 $m Unaudited	June 2019 $m Unaudited	December 2019 $m Audited
Profit/(loss) attributable to equity shareholders	**70.3**	(129.5)	(248.2)
Items that may be subsequently reclassified to profit or loss[1]			
Foreign currency translation reserve	**(0.4)**	-	(1.2)
Cash flow hedging reserve[2, 3]	**(7.0)**	(4.4)	5.8
Effective portion of changes in fair value	**(12..4)**	(3.6)	3.6
Net amount transferred to profit or loss	**5.4**	(0.8)	2.2
Changes in fair value of fair value through other comprehensive income (FVOCI) assets	**(0.4)**	0.5	(0.6)
Total comprehensive profit/(loss) attributable to equity shareholders	**62.5**	(133.4)	(244.2)

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 share price
3. The cash flow hedging reserve movement of US$(7.0) million is primarily attributable to weakening of sterling against the US dollar in the period impacting hedges in place to manage the group's expense base

Consolidated statement of changes in equity

for the period ended 30 June 2020

	Ordinary share capital and share premium $m	Other equity instruments[1] $m	Cash flow hedging reserve $m	FVOCI reserve $m	Foreign currency translation reserve $m	Net investment hedge reserve $m	Retained earnings $m	Total equity $m
Balance at 1 January 2019	2,079.5	-	(1.8)	0.7	(1.3)	(1.7)	(817.6)	1,257.8
Total comprehensive loss for the year	-	-	5.8	(0.6)	(1.2)	-	(248.2)	(244.2)
Other equity instrument issuance	-	160.0	-	-	-	-	(0.1)	159.9
Balance at 31 December 2019	2,079.5	160.0	4.0	0.1	(2.5)	(1.7)	(1,065.9)	1,173.5
Balance at 1 January 2020	2,079.5	160.0	4.0	0.1	(2.5)	(1.7)	(1,065.9)	1,173.5
Total comprehensive profit for the period	**-**	**-**	**(7.0)**	**(0.4)**	**(0.4)**	**-**	**70.3**	**62.5**
Balance at 30 June 2020	**2,079.5**	**160.0**	**(3.0)**	**(0.3)**	**(2.9)**	**(1.7)**	**(995.6)**	**1,236.0**

[1] Additional Tier 1 capital issuance of US$160.0 million in December 2019 to ICBC

Accounting policies

The financial results and financial position for the period ended 30 June 2020 set out on pages 8 to 11 have been prepared on a consistent basis to the group's consolidated annual financial statements for the year ended 31 December 2019. They do not include all information required for full annual financial statements or condensed consolidated financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*.

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.

Financial instruments measured at fair value

The tables below 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 or observable pricing inputs 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.

June 2020	**Composition %**	**Asset $m**	**Composition %**	**Liability $m**
Level 1	**25.8**	**2,684.0**	**9.6**	**839.1**
Level 2	**71.0**	**7,376.1**	**86.5**	**7,570.2**
Level 3	**3.2**	**331.5**	**3.9**	**343.1**
Financial instruments at fair value	**100.0**	**10,391.6**	**100.0**	**8,752.4**
Reconciled as follows:				
FVOCI		**1,680.4**		**-**
Held for trading		**7,485.7**		**7,550.3**
Non-trading at fair value		**1,225.5**		**1,202.1**
		10,391.6		**8,752.4**
June 2019				
Level 1	28.5	2,682.3	7.0	473.6
Level 2	67.0	6,298.0	87.3	5,877.6
Level 3	4.5	424.1	5.7	382.3
Financial instruments at fair value	100.0	9,404.4	100.0	6,733.5
Reconciled as follows:				
FVOCI		2,112.6		-
Held for trading		5,869.1		5,481.8
Non-trading at fair value		1,422.7		1,251.7
		9,404.4		6,733.5
December 2019				
Level 1	28.2	2,557.8	8.8	624.8
Level 2	69.1	6,273.2	88.0	6,248.4
Level 3	2.7	241.7	3.2	228.5
Financial instruments at fair value	100.0	9,072.7	100.0	7,101.7
Reconciled as follows:				
FVOCI		1,865.5		-
Held for trading		5,901.9		5,874.1
Non-trading at fair value		1,305.3		1,227.6
		9,072.7		7,101.7

Credit quality

The table below shows the group's maximum exposure to credit risk 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	
	Neither past due nor impaired	Past due but not specifically impaired		Specifically impaired	Gross credit exposure
		< 90 days	>= 90 days		
June 2020 – Unaudited	$m	$m	$m	$m	$m
Cash and balances with central banks	2,642.5	-	-	-	2,642.5
Financial assets held for trading	1,801.1	-	-	-	1,801.1
Non-trading financial assets at fair value	1,225.5	-	-	-	1,225.5
Derivative financial assets	5,684.6	-	-	-	5,684.6
Due from banks and other financial institutions	2,511.5	-	-	-	2,511.5
Reverse repurchase agreements	4,174.2	-	-	-	4,174.2
Loans and advances to customers	423.0	-	-	-	423.0
Financial investments	1,680.4	-	-	-	1,680.4
Gross on balance sheet credit exposure	20,142.8	-	-	-	20,142.8
Guarantees					-
Irrevocable unutilised facilities					20.9
Commodity leases					801.9
Gross off-balance sheet exposures to credit risk					822.8

The table below provides an analysis of gross balances subject to the three stage expected credit loss (ECL) model in IFRS 9 *Financial Instruments*.

	Stage 1	Stage 2	Stage 3			
			Substandard	Doubtful	Loss	Total
June 2020 – Unaudited	$m	$m	$m	$m	$m	$m
Cash and balances with central banks	2,642.5	-	-	-	-	2,642.5
Due from banks and other financial institutions	2,511.5	-	-	-	-	2,511.5
Reverse repurchase agreements	4,174.2	-	-	-	-	4,174.2
Loans and advances to customers	414.7	8.3	-	-	-	423.0
Financial investments	1,680.4	-	-	-	-	1,680.4
Commitments and financial guarantees given	20.9	-	-	-	-	20.9
Total	11,444.2	8.3	-	-	-	11,452.5

	Performing			Non-performing	
	Neither past due nor impaired	Past due but not specifically impaired		Specifically impaired	Gross credit exposure
		< 90 days	>= 90 days		
June 2019 – Unaudited	**$m**	**$m**	**$m**	**$m**	**$m**
Cash and balances with central banks	1,321.7	-	-	-	1,321.7
Financial assets held for trading	2,018.7	-	-	-	2,018.7
Non-trading financial assets at fair value	1,422.7	-	-	-	1,422.7
Derivative financial assets	3,801.4	-	-	-	3,801.4
Due from banks and other financial institutions	1,793.7	-	-	-	1,793.7
Reverse repurchase agreements	3,588.2	-	-	-	3,588.2
Loans and advances to customers	1,220.1	-	-	0.1	1,220.2
Financial investments	2,112.6	-	-	-	2,112.6
Gross on balance sheet credit exposure	17,279.1	-	-	0.1	17,279.2
Guarantees					-
Irrevocable unutilised facilities					35.7
Commodity leases					907.3
Gross off-balance sheet exposures to credit risk					943.0

	Stage 1	Stage 2	Stage 3			
			Substandard	Doubtful	Loss	Total
June 2019 – Unaudited	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Cash and balances with central banks	1,321.7	-	-	-	-	1,321.7
Due from banks and other financial institutions	1,793.7	-	-	-	-	1,793.7
Reverse repurchase agreements	3,588.2	-	-	-	-	3,588.2
Loans and advances to customers	1,207.2	12.9	-	0.1	-	1,220.2
Financial investments	2,112.6	-	-	-	-	2,112.6
Commitments and financial guarantees given	35.7	-	-	-	-	35.7
Total	10,059.1	12.9	-	0.1	-	10,072.1

Deposits

Due to banks and other financial institutions

	June 2020 $m Unaudited	June 2019 $m Unaudited	December 2019 $m Audited
Due to banks	**7,815.4**	8,125.0	7,715.1
Other financial institutions	**917.5**	771.3	924.6
	8,732.9	8,896.3	8,639.7

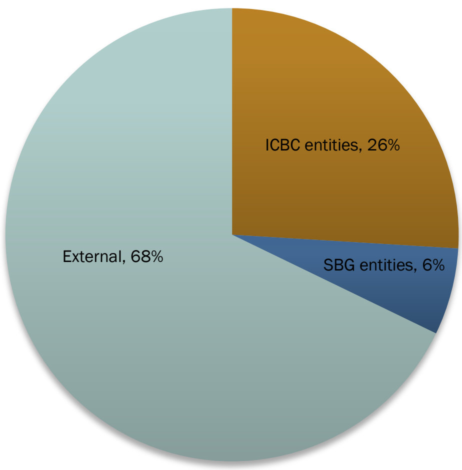
Repurchase agreements

	June 2020 $m Unaudited	June 2019 $m Unaudited	December 2019 $m Audited
Banks and other financial institutions	**2,324.0**	1,903.5	1,560.8
	2,324.0	1,903.5	1,560.8

Due to customers

	June 2020 $m Unaudited	June 2019 $m Unaudited	December 2019 $m Audited
Call deposits	**439.6**	357.2	303.1
Term deposits	**989.6**	519.4	121.5
	1,429.2	876.6	424.6

Deposit providers



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 period. Stop loss triggers are used to contain losses for individual business units by enforcing management intervention at predetermined loss levels. Other risk metrics specific to individual business units are also used. These include permissible instruments, concentration of exposures, gap limits and maximum tenor.

During the period, there were six back-testing exceptions at a 99% confidence level (30 June 2019: none), bringing the cumulative total over the last 250 days to seven back-testing exceptions. The high number of back-testing exceptions that occurred in the period was primarily due to the market volatility resulting from the economic impact of the Covid-19 outbreak, which was significantly greater than the volatility used in the model calibration. Despite the high number of loss exceptions, performance of the VaR model was in line with expectations when considered in the context of the exceptional market movements observed during the period due to the Covid-19 pandemic.

	Normal VaR[2]			
June 2020	**Maximum[1] $m**	**Minimum[1] $m**	**Average $m**	**Period end $m**
Commodities	1.2	0.3	0.7	0.5
Foreign exchange	1.3	0.5	0.8	0.9
Equities	0.5	0.0	0.1	0.0
Debt securities	3.4	1.7	2.8	3.2
Diversification benefit[4]				(1.4)
Total				3.2

	Stress VaR[3]		
	June 2020 $m Unaudited	June 2019 $m Unaudited	December 2019 $m Audited
Commodities	2.2	9.9	11.8
Foreign exchange	8.1	6.5	18.9
Equities	0.0	2.6	2.0
Debt securities	24.2	20.8	17.9
Diversification benefit[4]	(9.9)	(14.9)	(19.0)
Total	24.6	24.9	31.6

	Normal VaR[2]			
June 2019	Maximum[1] $m	Minimum[1] $m	Average $m	Period end $m
Commodities	1.6	0.8	1.2	1.3
Foreign exchange	1.3	0.7	1.0	0.9
Equities	0.9	0.5	0.7	0.7
Debt securities	1.7	0.9	1.2	1.3
Diversification benefit[4]				(2.1)
Total				2.1

	Normal VaR[2]			
December 2019	Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
Commodities	1.6	0.8	1.1	0.8
Foreign exchange	0.9	0.4	0.6	0.5
Equities	0.5	0.2	0.3	0.2
Debt securities	2.5	1.1	1.5	2.0
Diversification benefit[4]				(1.2)
Total				2.3

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