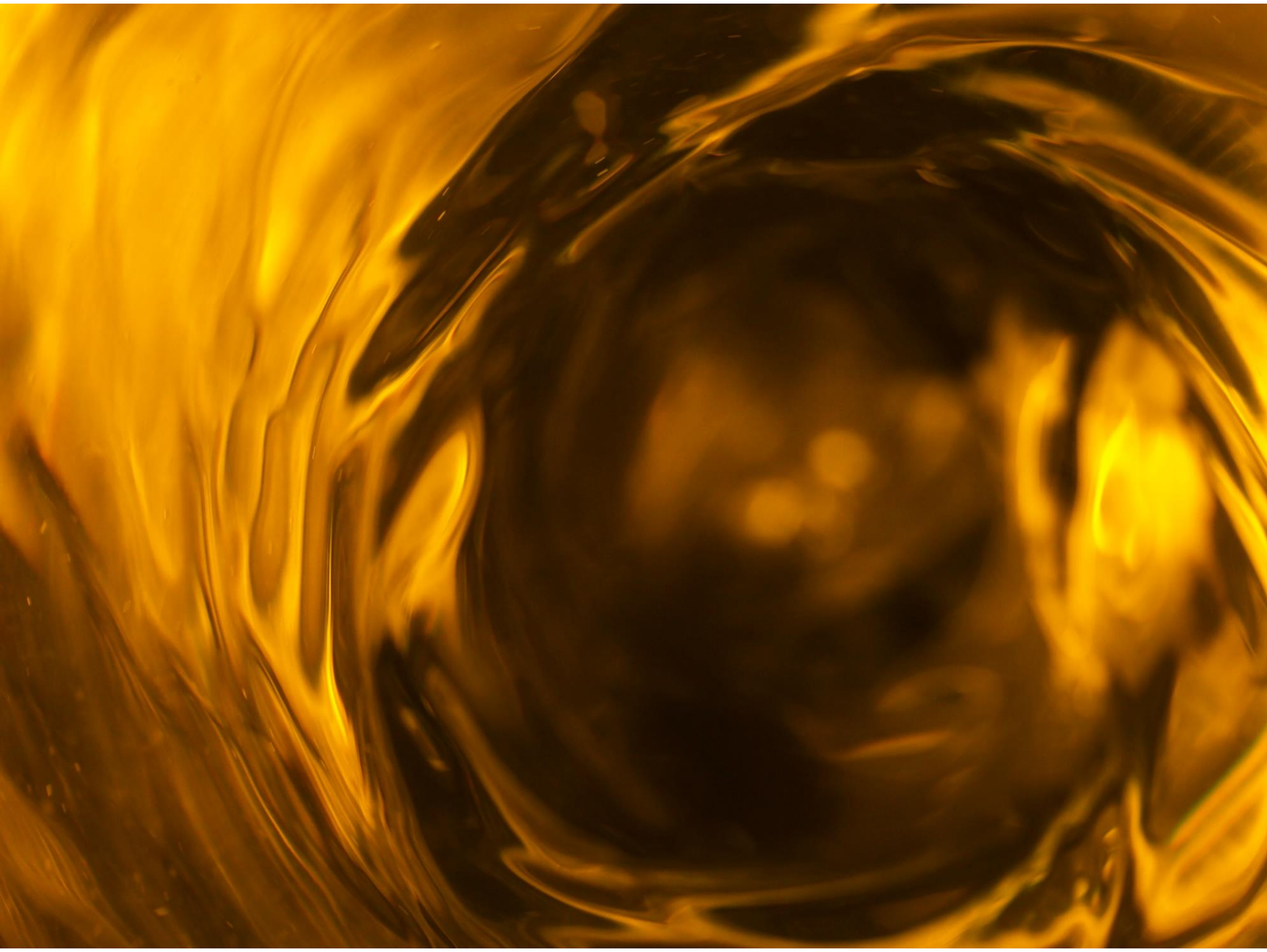
Pillar 3

For the year ended 31 December 2021



www.icbcstandard.com

Contents

Statement on Ownership

Industrial and Commercial Bank of China Limited (ICBC) and Standard Bank Group Limited (SBGL) hold 60% and 40% respectively of the issued share capital of ICBC Standard Bank Plc (ICBCS).

ICBC Group Profile

On 28 October 2005, ICBC was restructured as a joint-stock limited company. On 27 October 2006, ICBC was listed on both the Shanghai and Hong Kong stock 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 spans 49 countries and regions.

ICBC provides a comprehensive suite of financial products and services to over nine million corporate customers and over 690 million personal customers through its various distribution channels. These 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 ICBC’s 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, Standard Bank Group (SBG) entered into a major strategic partnership with ICBC which resulted in ICBC becoming a 20% shareholder in SBG.

SBG operates in 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, other African countries and selected international locations outside of Africa.

The Consolidated Pillar 3 Disclosures presented in this document are shown as at 31 December 2021.

References to ICBC Standard Bank Plc Consolidated Annual Report 2021 are shown in gold text.

1. Foreword

1.1 Introduction

This document comprises ICBCS's Pillar 3 disclosures on capital and risk management as at 31 December 2021. The disclosures are prepared in accordance with Part Eight of the Capital Requirements Regulation (575/2013) as amended by the Capital Requirements (Amendment) (EU Exit) Regulations 2018 (collectively referred to as the UK CRR). In particular, articles 431 to 455 of the CRR specify the Pillar 3 disclosure requirements.

ICBCS is subject to regulation and supervision by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), as a UK bank and UK consolidating parent entity.

1.2 ICBCS Disclosure Policy

The following sets out a summary of the disclosure policy applied to the ICBCS Pillar 3 Disclosures. The policy covers the basis of preparation, frequency of disclosure, media and location of disclosures, verification and risk profile disclosures.

1.2.1 Basis of Preparation

These Pillar 3 disclosures have been prepared in accordance with the specific requirements of UK CRR and CRD IV, as implemented in the United Kingdom (collectively referred to here as the UK CRD IV requirements).

In satisfaction of certain disclosure requirements, reference has been made to the ICBC Standard Bank Plc Consolidated Annual Report (the Annual Report). As such, this document should be read in conjunction with the published Annual Report which is also available on the ICBCS website: www.icbcstandard.com.

ICBCS, as a UK parent institution, is subject to the consolidated disclosure requirements under UK CRD IV. The information and disclosures presented in this document therefore specifically relate to ICBCS on a consolidated basis i.e. including all subsidiaries (referred to herein as "the group") – See section 3.3 for details.

ICBCS is the primary risk-taking entity within the consolidated ICBCS Group. Separate individual disclosures for ICBCS have not been made on a standalone basis due to the immateriality of risks contained within the other entities in the ICBCS Group. The risk weighted assets of ICBCS Plc (solo-consolidated) account for 99.50% of the total RWAs of the ICBCS Group as at 31 December 2021.

No Pillar 3 disclosure requirements have been excluded due to confidentiality or for proprietary reasons.

It is important to note that a number of significant differences could exist between accounting disclosures published in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures, which are provided in accordance with prudential requirements. See section 3.1, on scope of consolidation, for details.

1.2.2 Frequency of Disclosure

In accordance with Pillar 3 disclosure requirements and the ICBCS Pillar 3 Disclosure Policy, ICBCS Group makes available its consolidated Pillar 3 disclosures on an annual basis.

1.2.3 Verification

The disclosures presented within this document have been verified and approved through internal governance procedures in line with the ICBCS Pillar 3 Disclosure Policy. This includes the review and approval of all disclosures by the ICBCS Board, following the receipt of written attestations in respect of the both the quantitative and qualitative disclosures from the most senior functional heads of the relevant areas within the group.

1.3 Risk Profile Disclosure

In accordance with the requirements under UK CRD IV and the ICBCS Pillar 3 Disclosure Policy, ICBCS Group is required to assess whether its external disclosures (including the Annual Report and Pillar 3 Disclosures) comprehensively portray the group's risk profile.

The Pillar 3 disclosures included herein focus on capital risk and the key risk drivers behind the ICBCS Group's Pillar 1 capital requirements (i.e. credit, market and operational risks), providing granular information and analysis in addition to that already presented within the Annual Report. The ICBCS Board is satisfied that the disclosures contained within this document, are appropriate to convey the risk profile of the firm. Additional disclosures are also provided in respect of liquidity risk.

1.4 Statement of ICBC Support

ICBC has provided ICBCS with a letter of support stating that ICBC intend to financially support ICBCS in ensuring that it meets all of its financial obligations as they fall due, including the maintenance of a minimum level of capital adequacy. The letter states that Industrial & Commercial Bank of China Limited (ICBC) confirms:

ICBC Standard Bank Plc (ICBCS) is viewed as a long-term investment and is an integral part of ICBC's overall operational strategy. ICBC's goal is to develop ICBCS into a major link in ICBC's international network, and therefore, ICBC undertakes to support ICBCS' development and growth.

ICBC 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 its 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).

The letter shall remain valid unless or until ICBC ceases to be the controlling shareholder of ICBC Standard Bank Plc.

1.5 Regulatory update

CRR2 and the CRR Quick Fix

In June 2019, the EU published the final rules amending the existing EU Regulation No.575/2013 (CRR), with the updated Regulation No. 876/2019 (CRR2).

UK CRR2 implemented the first tranche of changes to the EU's legislation to reflect the Basel III reforms, including revisions to the standardised approach for measuring counterparty risk (SA-CCR), changes to the regulations around equity investments in funds and introducing new binding requirements around stable funding.

The implementation date for a majority of the EU CRR2 rules was June 2021. The UK equivalent of the outstanding elements of CRR2 became effective from 1 January 2022.The Bank carried out parallel runs of the capital and liquidity positions based on UK CRR2 from 1 December 2021 and remains compliant with the new rules, However, the ICBCS Pillar 3 document as at 31 December 2021 has been produced in line with UK CRR as the UK CRR2 rules became effective from 1 January 2022.

2. Overview

The risk profile of the ICBCS Group is underpinned by the core philosophy of maintaining a strong liquidity and capital position.

All activities carried out by the ICBCS Group involve, to varying degrees, the measurement, evaluation, acceptance and management of risk or combinations of risks. The risk management framework, employed at all levels of the organisation, ensures that risk profile remains aligned to risk appetite and strategy.

2.1 Risk types

The group's activities give rise to various risks. The principal material risks can predominantly be grouped into the following categories:

- Liquidity risk (see section 4.10)
- Credit risk (see section 5)
- Counterparty risk (see section 5.6)
- Market risk (see section 8)
- Operational risk (see section 9)
- Climate risk (see section 10)

Each risk is defined within the relevant section, together with an explanation of the application of the governance framework to the particular risk, and if applicable, a description of the relevant portfolio characteristics both in terms of prescribed disclosure and the group's business model.

2.2 Highlights for 2021

2.2.1 General

Global equity markets ended 2021 at near record highs. Due to the on-going COVID-19 pandemic, central bank support continued to provide liquidity to economies, while Brent crude ended up around 52% during the year as economies recovered.

Rising inflation and supply chain issues increased pressures on central banks to begin raising rates as the year progresses and also resulted in gold prices dropping around 4% in 2021. The prospects of higher inflation and interest rates are likely to be important factors impacting markets in 2022.

ICBCS was able to adapt to these volatile changes in market conditions to generate a profitable year in 2021.

2.2.2 Risk appetite and stress testing

2.2.2.1 Year in brief

The group remained within Board approved risk appetite throughout 2021.

Macroeconomic stress testing was carried out across the group during 2021, with scenarios designed to specifically target relevant portfolios for the group, focusing on a global financial crisis and an emerging market sovereign debt crisis. In addition, the group undertook the annual reverse stress testing programme which aims to simulate 'point of failure' scenarios that could impact the group's business model. Output from the programme was approved by the Board in February 2022.

ICBCS also conducted a climate-related stress test which covered a scenario, based on the Bank of England's 2021 climate biennial exploratory transition scenarios, where accelerated and unexpected carbon pricing is introduced that seeks to bring Co2 emissions to net zero by 2050. This stress test is being run monthly for the credit and market risk portfolios.

2.2.2.2 Focus areas for 2022

The ICBCS risk management areas will continue to support the ICBCS business model and strategy whilst conforming to any regulatory obligations. This will include:

- Analysis of new product and counterparty requests
- Enhancing stress testing methodologies in line with evolving business strategy
- Continue to embed the management of climate related risks within the risk management framework
- Continuing to exit the final Service Level Agreements (SLAs) currently in place with Standard Bank of South Africa (SBSA)

2.2.3 Credit risk

2.2.3.1 Year in brief

Total credit risk exposure increased by 15%, driven by higher levels of primary credit risk exposures at the end of 2021. Through 2021 there continued to be a focus on management actions in relation to the impacts of COVID-19 and the subsequent level of economic recovery (including ratings and credit limit assessments and adjustments at both a counterparty and country risk level – and enhancement of ICBCS's country Early Warning Indicator (EWI) framework to include COVID metrics). Increases in the price of a number of commodities through the year resulted in higher levels of counterparty credit exposure in US$ terms in certain instances. Although a number of counterparties were added to the Credit Watch list during 2020, these did not go on to result in a material number of NPLs. The number of counterparties on the Credit Watchlist reduced during 2021.

In 2021, ICBCS successfully repatriated the Credit Rating System (CRS)[1], which had been provided under an outsourcing service level agreement by SBG, since 2015. The repatriation of credit exposure models, that were also previously under an outsourcing agreement with SBG, were also completed during the year.

2.2.3.2 Focus areas for 2022

The ICBCS Credit and Country Risk team will continue to provide support for the group's business origination strategies across the Commodities and FIC businesses. The economic environment is expected to remain volatile, with uncertainty around the impact of COVID variants and inflationary risks. As such, close monitoring and appropriate risk assessment of new and existing credit and country risk exposures will continue to be required. Another area of focus will be the implementation and use of Climate Change and Environmental risk frameworks that have been built into the Credit and Country risk policies and processes, and enhancing the Expected Credit Loss (ECL) framework.

2.2.4 Market and Liquidity risk

2.2.4.1 Year in brief

Key market risk themes from 2020 continued into 2021, with focus on COVID pandemic management globally and countries' vaccination rollout efforts. By mid- year financial markets were pricing in a potential control of the pandemic and a focus shifted on to the global inflationary impacts of supply chain stress to in key sectors.

Significant credit incidents in the wider market led to Market Risk gap exposure assessments following the collapse of Greensill and Archegos, and the potential wider credit impact of China-based real estate titan Evergrande.

ICBCS's trading portfolios generally remained defensive throughout the year across its rates, FX and commodity businesses and the group rebalanced its FX positions to a more neutral position on the USD. Commodities activity was focused on Energy and Metals flow trading and as a result positions and portfolio exposure during stayed 2021 well within limit tolerances.

The VAR back-testing exceptions from 2020 rolled out of the Bank's time series data by Q2 2021 and the group's market risk capital multiplier reverted to 2019 pre-COVID levels. During 2021, ICBCS updated its market risk stress testing to consider climate change impacts and the emergence of interest rate hike cycles.

[1] An internal rating system with associated model development and validation services (PD and LGD models).

All key market risk appetite metrics and conduct controls were within tolerances over the course of 2021. In Liquidity Risk key change initiatives were implemented during 2021 to deliver the Net Stable Funding Requirement (NSFR) in time for a 2022 go live. The group's banking book interest rate risk (IRRBB) remained well within approved limits. ICBCS also worked towards the next phase of IRRBB reporting and control, relating to the credit spread component of the IRRBB portfolio.

2.2.4.2 Focus areas for 2022

The emphasis for the Market Risk team in 2022 is to continue with its risk control mandate on identification, challenge, implementation and reporting of all key market risks associated with the group's second line of defence model as it responds to evolving internal and regulatory requirements. Market Risk has recognised the importance of regulatory reporting and has created a new reporting team (Risk Analytics and Valuation) to address the explicit mandate around Risk reporting.

The Fundamental Review of the Trading Book (FRTB) and LIBOR replacement program work will continue into 2022. The new metals trading platform initiative across the Trading, Finance and Risk teams will be a key delivery focus for the Risk team in 2022.

2.2.5 Operational risk

2.2.5.1 Year in brief

Operational risk losses for the year were lower than 2020, despite the ongoing COVID-19 pandemic leading to various restrictions and lockdowns in the different jurisdictions in which the group operates.

During 2021, the Operational Risk team has developed a framework for assessing operational risks arising from change initiatives within the group. The Operational Risk team has also contributed, as the second line, to the Operational Resilience initiative and the Operational Risk Management framework for Climate Change.

2.2.5.2 Focus areas for 2022

In 2022, the Operational Risk team will continue to contribute to the further embedding of the group's Operational Resilience framework with respect to both Operational Risk and Business Continuity Management. Further work will also be conducted on the relationship between Climate Change and Operational Risk.

2.2.6 Capital Management

2.2.6.1 Year in brief

The group remains sufficiently capitalised, above minimum regulatory capital adequacy and leverage ratio requirements. ICBCS had a CET1 ratio of 13.47%, a tier 1 ratio of 15.35% and a total capital ratio of 18.28% as at 31 December 2021. The ICBCS leverage ratio as at 31 December 2021 was 5.09%.

2.2.6.2 Focus areas for 2022

Capital resources will continue to be managed to ensure there is sufficient capital to meet business requirements over the planning horizon, whilst taking account of potential stress. This will include:

- Ensuring an optimal capital mix for the ICBCS Group, considering the different forms of capital resources (e.g. Tier 1 and Tier 2 capital) available to ICBCS
- Implementing and managing to the UK CRR2 requirements
- Continuing to ensure that the group is adequately positioned to respond to regulatory capital rules

3. Regulatory Consolidation

3.1 Scope of Consolidation

As a UK parent institution, ICBCS is required to calculate consolidated capital requirements and maintain consolidated capital resources based on the regulatory consolidation guidelines applicable under UK CRD IV. Accordingly, ICBCS complies with the disclosure obligations of UK CRD IV on a consolidated basis.

The scope of regulatory consolidation for the purposes of quantifying consolidated capital requirements and consolidated capital resources extends across all operations of the ICBCS Group. All entities within the scope of accounting consolidation are also included within the scope of regulatory consolidation. There are no differences in the basis of consolidation for accounting and prudential purposes within ICBCS.

The ICBCS Board ensures that capital adequacy is maintained at all levels of banking consolidation within the ICBCS Group in accordance with the relevant regulatory requirements.

The legal and regulatory structure of ICBCS and its subsidiaries is simple, and provides a capability for the transfer of surplus capital resources over and above regulatory requirements or repayment of liabilities when due. See section 3.3 for details.

Subject to obtaining the appropriate regulatory approvals, there are no current or foreseeable material impediments to such transfers or repayments.

3.2 Sub-Group Disclosures

ICBC Standard Bank Plc is the most significant entity within the ICBCS Group. As a result, disclosures within this document have been provided in fulfilment of significant subsidiary disclosure requirements.

3.3 Solo Consolidation

The ICBCS Group makes use of the individual (solo) consolidation provisions as permitted under CRR Article 9. The solo consolidation requirements allow a parent institution to incorporate the capital resources and requirements of a subsidiary undertaking, within the calculation of the capital resources and capital requirement of the parent, subject to permission from the PRA.

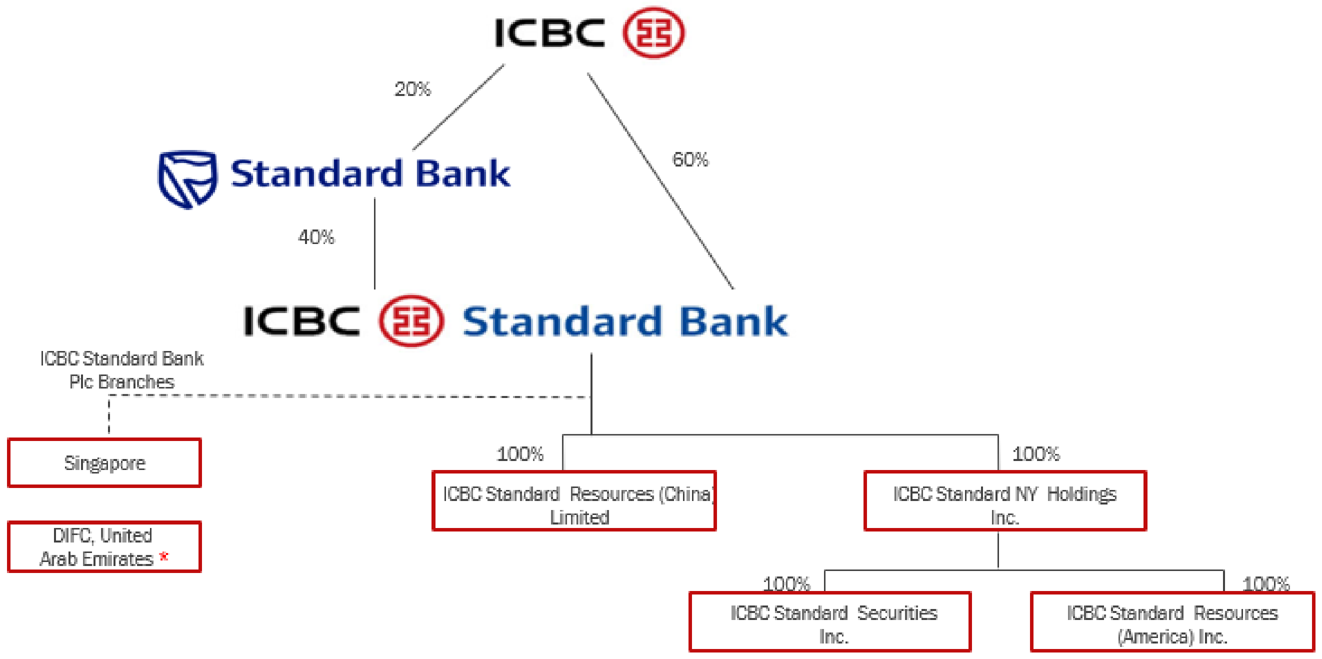
For this purpose, ICBCS has obtained permission from the PRA for the use of solo consolidation in respect of its wholly owned subsidiary – ICBC Standard Resources (China) Ltd (SRC). This permission enables ICBC Standard Bank Plc to incorporate the capital resources and requirements of SRC with its own, on a solo-consolidated basis. SRC is a commodity trading company incorporated in China. SRC is not subject to any local regulatory capital or liquidity requirements.

3.4 Consolidated Balance Sheet under Regulatory Consolidation

For full details of the own funds' requirements, please refer to Annex B.

The consolidated balance sheet for ICBC Standard Bank Plc is shown on page 61 of the ICBCS Consolidated Annual Report

3.5 Group Structure



* DIFC United Arab Emirates branch was removed from the Dubai Companies Register on 7 Jan 2022.

4. Risk and Capital Management

4.1 Board Responsibility

The ICBCS Board of Directors (the Board) has the ultimate responsibility for the oversight of risk and capital management. The Board also ensures that the firm complies with all regulatory requirements set by the regulatory bodies. The group, led by the Chairman, ensures that all directors commit sufficient time to perform their functions.

Members of the Board are subject to additional rules dictated by the Senior Managers and Certification Regime (SMCR). ICBCS has adopted a framework to ensure compliance with the SMCR, and the firm remains compliant with these requirements.

4.1.1 Board Recruitment

As ICBCS currently has a majority shareholder (ICBC) and a minority shareholder (SBGL), certain directors may be appointed to the Board by the shareholders as ICBC Directors or Standard Bank Directors, respectively, based upon the level of the shareholding, as determined in the Shareholders' Agreement. All directors nominated by the shareholders to be appointed in such a way will be subject to any necessary internal review process (including review by the Remuneration Committee of skills and experience, and screening as part of ICBCS's 'fit and proper' review procedures). Regulatory approvals will be sought, or notifications made in accordance with the SMCR Regime as required.

Candidates for independent non-executive director roles of ICBCS are sourced externally through the engagement of a specialist third party executive search consultancy. A role profile and person specification detailing the specific requirements including meeting attendance, time commitment and regulatory considerations will be drafted and approved. The Board will only engage executive search consultants who have signed up to the voluntary code of conduct addressing diversity and best practice in search assignments.

All applicants are required to submit a CV detailing their skills and experience and demonstrate that they possess adequate knowledge to perform the required function. In addition, applicants need to prove a genuine understanding of the firm's activities and the principal areas of risk. All candidates shall be evaluated in the same manner and must disclose whether any of their activities or directorships may lead to a conflict of interest. The group also ensures that the recruitment process is compliant with the SMCR.

The group adopts a fair and transparent selection process, led by the Chairman, whereby shortlisted independent non-executive director candidates are interviewed by current members of the Board including the CEO, Chairman and where applicable, other independent non-executive Directors.

4.1.2 Diversity and Composition

The group has a Diversity Policy that recognises the importance of diversity and that it is a much wider issue than gender. It recognises and embraces the benefits of having a diverse Board and management body, and views the increasing of diversity at Board and executive management body level as an essential element in maintaining a competitive advantage. Diversity will continue to be an active consideration whenever changes to the Board and executive management body are contemplated.

The Board believes that its members should collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the group. The Board and management body will include and make use of differences in the skills, regional and industry experience, background and other qualities of directors and members of the executive management body. These differences will be considered in determining the optimum composition of the Board and senior management team and where possible will be balanced appropriately.

All Board and executive management committee appointments are to be made on merit, in the context of the skills, experience, independence and knowledge which the Board and executive management as a whole requires to be effective.

The current members of the Board have a wide range of backgrounds and experience, with expertise across a number of areas including Banking, Finance and Risk Management. The members also possess a diverse range of geographical understanding including experience of operations in Asia, Europe and Africa. Several of the directors have a detailed knowledge and understanding of one or both of the company's ultimate parents ICBC and SBGL, as well as a strong knowledge of the relevant legal and regulatory frameworks of China and South Africa gained in their roles as executives of ICBC or SBG respectively. The group's independent non-executive directors also have other general board-level experience, particularly within financial services.

The Chairman is responsible for leading the development of and monitoring the effective implementation of policies and procedures for the induction, training and professional development of all members of the Board. During the year newly appointed directors received a full induction briefing tailored to their roles, and new and continuing directors participated in various in person, virtual and online training and briefing sessions. Directors are also accountable for personal continued professional development planning, linked to their roles and specific portfolios.

The table below shows the number of directorships held by the members of the Board as at 31 December 2021.

Table 1: Number of Directorships for Directors of ICBC Standard Bank Plc at 31 December 2021

Director's Name	Directorships within ICBCS Group of Companies (includes ICBC Standard Bank Plc)	External Directorships of other Commercial Companies*
Ms Isabella da Costa Mendes	1	2
Ms Judith Eden	1	3
Mr Andile Kenneth Fihla	1	1
Mr Ruixiang Han	1	1
Mr David Hodnett	1	-
Ms Yabing Hu	1	-
Mr Philip Hurley	1	-
Mr Binliang Jin	1	-
Mr Garry Jones	1	3
Mr Li Li	1	1
Mr Andrew Simmonds	1	2
Dr Shoujiang Wang	1	-
Dr Wenbin Wang	1	-

* Excludes charities, trusts, non-commercial purpose entities and organisations and other dormant companies. More than one directorship in the same corporate group of companies counts as a single external directorship.

4.1.3 Board Review

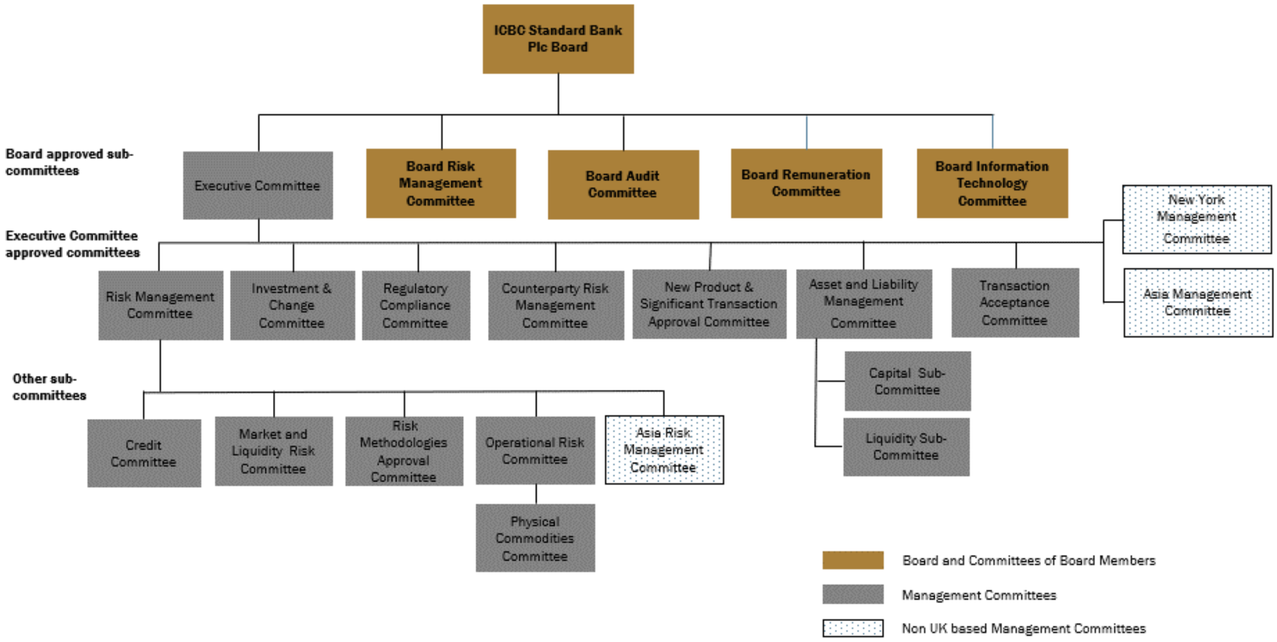
For the period under review, the Board is satisfied that the group's risk, compliance, treasury, capital management and internal audit processes generally operated effectively and that the group managed its funding and capital in support of its strategy.

4.2 Risk Management Framework

4.2.1 Risk Governance committees

The Board of ICBCS is responsible for the governance of risk management within ICBCS. The Board delegates independent and objective oversight of risk management to the Board Risk Management Committee.

The diagram below illustrates the various governance committees within the risk management framework, in place over 2021.



4.3 Approaches to Risk Management

ICBCS operates a prudent approach to risk with rigorous management controls to protect the group, support sustainable business growth and ensure that any losses remain within the group's risk appetite. The Board has ultimate responsibility for risk oversight.

For this purpose, the group has a strong and independent risk function with a mission to maintain a robust control framework, identify and escalate emerging risks and support sustainable business growth within its risk appetite through good risk-reward decision making.

The Board ensures that senior management implements risk policies and risk appetites that either limit or, where appropriate, prohibit activities, relationships and situations that could be detrimental to the group's risk profile.

4.4 Risk Appetite

Risk Appetite, in the context of a Risk Appetite statement, is an expression of the amount or type of risk the group is willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both business as usual (BAU) and stressed conditions.

The approved risk appetite is embedded within principles, policies, authorities and limits across the group. The group optimises performance by allowing business units to operate within approved risk appetite and limits. The group's risk appetite will continue to evolve to reflect external market developments and the composition of the group.

The ICBCS Risk Appetite, as at 31 December 2021, is monitored using the following metrics:

- Earnings at Risk: Calibrated to represent a financial loss over a one-year horizon and provide a directly comparable risk metric across risk classes, relevant for the annual budget. It expresses the quantum of financial risk, and related potential loss the group is willing to undertake calibrated at the 90th percentile, equivalent to 1-in-10 years
- Economic Capital (Ecap): Represents the financial loss over a one-year horizon at the extreme end of distribution, calibrated to a 99.9 percentile, or 1-in-1000 years. The metric is expressed as a solvency ratio where Available Financial Resources exceeds modelled economic capital usage. Economic capital adequacy ratio = Available Financial Resources (AFR)/ Ecap
- Regulatory Capital: Sets a minimum level for the spot CET1, Tier1 and the Total regulatory capital surplus. This is monitored daily and early warning triggers are in place in order to allow actions to be taken before hitting the minimum surplus
- Liquidity: Defined by way of two limits which require the Bank to comply with both regulatory (ILG) requirements and the internal stress test requirements. Early warning triggers are in place in order to allow sufficient time to react to a potential breach of liquidity risk appetite and therefore maintain compliance with the two measures. From 1st Jan 2022, a limit covering the NSFR surplus was included within the ICBCS Risk Appetite
- Unacceptable Risk: ICBCS avoids exposure to unacceptable risk events, such as activities that may result in adverse reputational damage, illegal activities, breaches of regulation and breaches of customer mandates. In the event that such a risk event is identified, it will be addressed through management actions with appropriate urgency

4.5 Capital Management

4.5.1 Objective

ICBCS Group’s Treasury and Capital Management (TCM) function ensures that regulatory capital requirements are met at all times both under BAU conditions and stressed conditions. The function advises senior management on the quantum and form of capital required, and when the required capital should be raised in line with business requirements.

4.5.2 Governance

The Asset and Liability Committee (ALCO) is a sub-committee of the ExCo. ALCO is the primary governance committee responsible for oversight in matters concerning capital, liquidity and funding. The committee is responsible for reviewing the current capital, large exposures, funding, liquidity, and leverage positions and where appropriate, the equivalent forecast positions. It is also responsible for making appropriate operational level decisions regarding these matters.

ALCO’s responsibilities in relation to financial resources include, but are not restricted to, the following:

- Ensuring appropriate management arrangements are in place to effectively manage the size and composition of the group’s balance sheet in relation to capital, large exposures, liquidity, funding and leverage including oversight of the allocation and maintenance of capital, funding and liquidity
- Reviewing internal assessments of the overall adequacy of capital and liquidity resources
- Monitoring and reviewing capital usage and return on capital metrics for each desk against targets
- Ensuring there are appropriate contingency management frameworks in place for capital and liquidity management and where triggers or limits are breached, appropriate actions are identified and executed
- Reviewing opportunities for raising capital and liquidity resources as required, including review of the funding plans and strategy
- Reviewing the impact of risk categories and overall stress test results on the spot and forward-looking capital positions
- Defining and overseeing mitigating actions in response to stress including the authority to trigger the Stage 1 recovery options if and when necessary
- Providing governance oversight of the integrity of the firm’s regulatory reporting and the current and forward-looking EWI measures

- Owning the application of liquidity stress scenarios and the liquidity stress risk driver parameterisation
- Owning the Funds Transfer Pricing (FTP) mechanism and methodology for all balance sheet financial instruments (assets and liabilities)
- Reviewing and monitoring pricing initiatives for products and sources of funding and implications for strategic balance sheet management
- Reviewing and endorsing the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery and Resolution Plan (RRP) documents for approval by the Board
- Reviewing and monitoring relevant future / emerging legislation and regulation to ensure appropriate arrangements are in place for compliance with these requirements as they come into force
- Providing governance oversight of relevant projects where appropriate
- Developing effective strategies for the hedging of the group's capital resources and cost base where denominated in currencies other than USD and reviewing the effectiveness of these hedges
- Managing the large exposures position of the firm

ALCO has delegated certain responsibilities to its sub committees, namely the Capital Sub-Committee (CSC) and the Liquidity Sub-Committee (LSC), and reviews and approves their mandates.

The CSC is responsible for responding to early signs of risk to the group's capital adequacy and large exposures as part of the Capital EWI escalation mechanism, in order to ensure that the group is able to meet its regulatory requirements and adhere to the Risk Appetite Statement. The CSC is mandated to take a number of defined actions with a view to improving the capital and large exposures position of the group. Should the actions within the CSC mandate be considered insufficient, the CSC may decide to escalate the position to Contingency ALCO.

The LSC is responsible for responding to early signs of liquidity risk as part of the Liquidity Limit/EWI Monitoring Policy escalation mechanism.

Both the CSC and the LSC have a responsibility when deciding or agreeing a course of action to be mindful of the potential impact on client outcomes, the market and the group. The committees' responsibilities extend to considering the impact over the entire life cycle of the activity/action.

BRMC provides the primary non-executive committee oversight and delegates responsibility to ExCo's sub-committee, ALCO.

4.5.3 Capital Transferability

Subject to compliance with the corporate laws and the required regulatory approvals of relevant jurisdictions, no significant restrictions exist on the transfer of funds and regulatory capital within the ICBCS Group.

4.6 Regulatory Capital

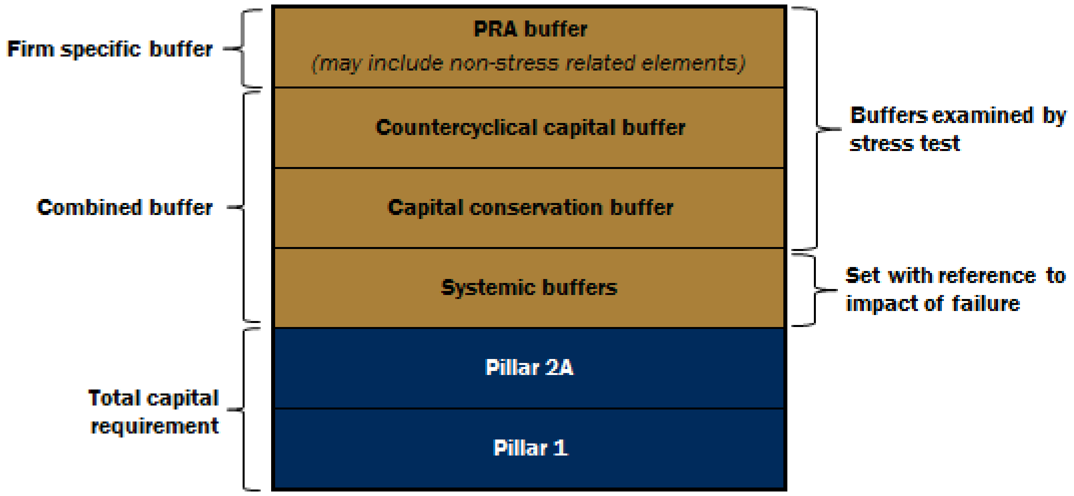
4.6.1 Minimum Capital Adequacy

Minimum capital requirements are referred to as Pillar 1 requirements. These requirements apply to the credit, market and operational risk generated by ICBCS. Regulatory capital adequacy is measured through three risk-based ratios i.e. CET1, Tier 1 and Total Capital ratios (see section 4.8 for details):

- CET 1: ordinary share capital, share premium and retained earnings less impairments and other capital deductions, divided by total risk-weighted assets
- Tier 1: CET 1 plus perpetual, non-cumulative instruments with principal loss absorption features issued under the UK CRD IV rules less capital deductions, divided by total risk-weighted assets
- Total capital adequacy: Tier 1 plus other items such as subordinated debt with principal loss-absorption features issued under UK CRD IV less capital deductions, divided by total risk-weighted assets

Total risk-weighted assets are determined by multiplying the capital requirements for market risk and operational risk by the reciprocal of the minimum total capital ratio and adding the resulting figures to the sum of risk-weighted assets for credit risk and counterparty risk. Included in the overall credit risk-weighted assets are both the on- and off-balance sheet exposures risk weighted according to the relative credit risk of the counterparty, and capital requirements for concentration risk calculated under the CRR requirements, where required.

Under UK CRD IV, the minimum CET1, Tier 1 and Total capital adequacy ratios are supplemented by a number of capital buffers. The capital buffers applicable to ICBCS are collectively referred to as the Combined Buffer Requirement.



4.6.2 Pillar 2A requirements

The Pillar 2 capital framework is intended to ensure that firms have adequate capital to support the relevant risks in their businesses. In addition to the Pillar 1 requirement mentioned above, the Pillar 2A requirement is an additional capital requirement that a firm needs to hold to cover risks that are not adequately captured in Pillar 1. The PRA performs a periodic supervisory review of ICBCS's ICAAP, which leads to a final determination of the Total Capital Requirement (TCR). The PRA-prescribed TCR is a point in time assessment of the minimum amount of capital the PRA considers that an entity should hold at all times.

4.6.3 Capital Buffers

The PRA also requires firms to hold capital buffers to meet additional regulatory requirements. There are three main buffers that apply to ICBCS – the PRA Buffer, Capital Conservation Buffer (CCoB) and the Countercyclical Buffer (CCyB). Systemic buffers are not applicable to ICBCS as the group is not systemically important in the UK (see above diagram).

4.6.3.1 Capital Conservation Buffer

The CCoB under UK CRD IV is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred.

4.6.3.2 Countercyclical Capital Buffer

UK CRD IV also includes an institution-specific countercyclical capital buffer requirement. The CCyB is an extension of the CCoB and aims to achieve a broader macro prudential goal of protecting the banking sector from periods of excess aggregate credit growth.

The UK Financial Policy Committee (FPC) is responsible for setting the UK CCyB rate (for credit exposures located in the UK). Due to the impact of COVID-19, the UK CCyB rate applicable throughout 2021 was set at 0%. The FPC has announced that the UK CCyB rate will increase to 1% effective from 13 December 2022.

As at 31 December 2021, the FPC has recognised the following CCyB rates:

- 0.5% for Bulgaria
- 0.5% for the Czech Republic
- 1% for Hong Kong
- 0. 50% for Luxembourg
- 1% for Norway
- 1% for Slovakia
- 0% for the United Kingdom and all other EEA states

Each institution's specific countercyclical capital buffer rate is a weighted average of the countercyclical capital buffers that apply in the jurisdictions where the relevant credit exposures are located. The ICBCS CCyB rate, calculated based on exposures as at 31 December 2021 was 0.12%.

Appendix C shows a breakdown of the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer applicable as at 31 December 2021. The table below also shows that the corresponding capital (own funds) requirement, to be held in CET1 capital for CCyB was $10.5m.

Table 2: Countercyclical buffer requirements

As at 31 December 2021	
Total risk weighted exposure amount	$8,526.3m
ICBCS countercyclical buffer rate	0.12%
ICBCS countercyclical buffer requirement	$10.5m

4.6.4 Regulatory approaches adopted for capital purposes

UK CRD IV provides various approaches for the calculation of regulatory capital to be held against credit, market and operational risk. In general, there are three approaches:

- a basic approach
- an intermediate approach or standardised approach
- an advanced or model-based approach

The regulators approve the approaches adopted on a case by case basis, both at a solo regulated entity and consolidated regulated entity level.

The group does not adopt advanced approaches for certain portfolios and exposures because it has chosen, on a cost and materiality basis, to adopt the intermediate or basic approaches. In these cases, the group nevertheless adopts practices similar to the advanced approach for its internal economic capital, risk measurement and management purposes where deemed appropriate.

The group currently only has model permission for certain market risk portfolios.

4.6.4.1 Risk Based Capital Requirements

The UK CRD IV capital requirements for ICBCS are calculated and disclosed in accordance with the risk-based approaches described in the table below.

Table 3: Risk Based Capital Requirements

Risk Type	Approach
Credit Risk	Standardised Approach
Counterparty Credit Risk (Derivatives)	Standardised (Mark-to-Market Method)[1]
Counterparty Credit Risk (SFT)	Standardised (Financial Collateral Comprehensive Method)
Operational Risk	The Standardised Approach (TSA)
Market Risk	Internal Model Approach (Value-at Risk) & Standardised Approach

[1] The Standardised (Mark-to-Market) Method has been replaced by the Standardised Approach for Counterparty Credit Risk (SA-CCR) Method from 1 January 2022.

Further details on the approaches per risk type approved by regulators are provided in the relevant credit, market and operational risk sections.

4.7 ICBCS Group's approach to managing capital

4.7.1 External requirements

During the period under review, the ICBCS Group complied with externally imposed capital requirements, and in particular to the relevant regulatory requirements of the PRA.

The banking regulations applicable to ICBCS are based on the global guidelines developed by the Basel committee under the auspices of the Bank for International Settlements. All applicable rules are fully implemented by the group for PRA reporting.

4.7.2 Internal requirements

The ICBCS Group assesses its capital adequacy against the capital requirement to absorb unexpected losses that may arise from the risks inherent in the business. Regulatory capital requirements are determined on the basis of prescribed regulatory approaches that apply to each of the main risk types and in each of the jurisdictions in which the group operates. In addition, the group produces an ICAAP which reflects management's internal assessment of risk. The ICAAP requires capital to be held for risks as assessed by management instead of a prescribed regulatory formula, and as such encompasses a wide spectrum of risks.

The ICBCS Group's governance process includes a robust assessment of capital forecasts and stress testing, allowing for capital raising and usage reductions to be expedited in a timely manner.

4.7.3 Measurement and Planning

The group measures the amount of capital it holds using the regulatory framework, as per the requirements of UK CRD IV.

As part of the capital planning process, capital positions are subjected to stress analyses to determine the adequacy of the group's capital resources against the minimum requirements, including the ICBCS specific TCR set by the PRA, over the forecast period. The outputs from some of these stress analyses are used by the PRA to review and set an additional PRA buffer for the group (see section 4.6.3). This PRA buffer comprises a minimum level of capital buffer over and above the minimum regulatory requirements that should be maintained in non-stressed conditions as mitigation against potential future periods of stress. The PRA buffer is set after considering the overall level of capital, including the capital conservation buffer that firms need to hold.

The group has a capital management framework including policies and procedures that are designed to ensure that it operates within its risk appetite, continues to comply with regulatory requirements on an ongoing basis as well as under stress, and is positioned to meet anticipated future changes to its capital requirements.

Regulatory capital ratios are also a key factor in the group's planning processes and stress analyses.

Four-year forecasts of the group's capital position are produced at least annually to inform the group's capital strategy. The capital plans are tested for capital adequacy using a range of stress scenarios covering adverse economic conditions and the group maintains a Recovery Plan which sets out a range of potential mitigating actions; including parental support, that could be taken in response to a stress.

Capital policies and procedures are subject to independent oversight. Regular reporting of actual and projected ratios, including those in stressed scenarios, is undertaken, including submissions to the BRMC and the ALCO.

4.7.4 Monitoring

ICBCS uses a suite of EWIs and Risk Appetite Statement metrics, which are monitored frequently to ensure that minimum regulatory capital requirements are not likely to be breached.

In the event that a particular concern needs to be escalated to senior management, the prominence of the metric is considered together with the time available to the group to remediate the issue. For example, a problem with the current capital position would be treated with more urgency than one with a forecast capital position in three years' time. Under the framework, relevant capital issues are escalated to the ALCO which can operate under its contingency management terms of reference if required by the escalation framework. This allows the group to select the most appropriate mitigating actions to remediate the issue. Further escalation to the contingency ExCo and ultimately to the Board will take place when required, where increasingly severe actions can be selected and actioned. This process is subject to annual review and approval by the Board.

4.8 Capital Position

4.8.1 Summary

The group's capital position applying prevailing rules as at 31 December 2021 is set out in the following sections. The group complied with externally imposed capital requirements during the current and prior year.

As at 31 December 2021, the group's CET 1 capital was $1,148.4m (2020: $1,072.9m), Tier 1 capital was $1,308.4m (2020: $1,232.9m) and total capital was $1,558.4m (2020: $1,482.9m).

The ratios are measured against the regulatory minimum requirements. The table below shows the capital adequacy ratios and buffers of ICBCS Group based on the CRR as at 31 December 2021.

Table 4: ICBCS - Capital adequacy ratios and buffers

As at 31 December 2021	As at disclosure date
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk exposure amount)	13.47%
Tier 1 (as a percentage of risk exposure amount)	15.35%
Total capital (as a percentage of risk exposure amount)	18.28%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	7.12%
of which: capital conservation buffer requirement	2.50%
of which: countercyclical buffer requirement	0.12%
of which: systemic risk buffer requirement	Not applicable to ICBCS
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	Not applicable to ICBCS

The PRA refers to the amount and quality of capital (CET1, Tier 1 and Tier 2) that a firm must maintain in order to comply with the minimum capital requirements under the CRR (Pillar 1) and the Pillar 2A requirements as the TCR. The TCR for ICBCS was 11.32% as at 31 December 2021, of which 6.37% was met with CET1 capital.

ICBCS is subject to a Pillar 2A requirement as per the PRA's TCR for 2021. The requirement is based on a point in time assessment, of which 56.25% of the requirement needs to be met in CET1 form and 75% by Tier 1 capital.

4.8.2 Capital Resources

The capital position for ICBCS Group on a consolidated basis as at 31 December 2021 is shown in the tables below.

The capital position is calculated by applying the UK CRD IV rules, including the relevant transitional arrangements based on PRA guidance.

Table 5: ICBCS - Capital Resources

Regulatory Capital	2021 ($m)	2020 ($m)
Common Equity Tier I		
Share capital	1,083.5	1,083.5
Share premium*	0.0	996.0
Reserves	126.5	(937.9)
Less regulatory deductions	(61.6)	(68.7)
Total Common Equity Tier I	**1,148.4**	**1,072.9**
Additional Tier I		
Total Additional Tier I	160.0	160.0
Total Tier I	**1,308.4**	**1,232.9**
Tier II		
Subordinated debt instruments	250.0	250.0
Less regulatory deductions	-	-
Total Tier II	250.0	250.0
Total eligible capital	**1,558.4**	**1,482.9**
	2021	**2020**
Risk Weighted Assets	8,526.3	8,122.8
Common Equity Tier 1 Ratio	13.47%	13.21%
Tier 1 Risk Asset Ratio	15.35%	15.18%
Capital Adequacy ratio	18.28%	18.26%

* In order to meet its obligations and pay coupons on the Additional Tier 1 securities, a UK court sanctioned share premium restructure took effect in June 2021. This involved cancellation of the share premium account and transfer of the balance on that account to retained earnings.

For full details of the own funds requirements and all deductions, please refer to Annex B.

4.8.3 Capital Requirements

The capital requirements for ICBCS Group on a consolidated basis as at 31 December 2021 are shown in the table below.

Table 6: ICBCS - Capital Requirements

	2021 ($m)	2020 ($m)
Credit, counterparty credit and dilution risks (standardised approach)	306.4	285.2
Central governments or central banks	12.2	12.6
Regional governments or local authorities	-	-
Public sector entities	-	-
Multilateral development banks	-	-
International organisations	-	-
Institutions	59.9	70.4
Corporates	225.3	192.1
Retail	-	-
Secured by mortgages on immovable property	-	-
Exposures in default	0.1	0.6
Items associated with particularly high risk	5.1	4.6
Covered bonds	-	-
Claims on institutions and corporate with a short-term credit assessment	-	-
Claims in the form of CIU	-	-
Equity exposures	0.2	0.3
Other items	3.6	4.7
Securitisation positions	-	-
Settlement/delivery risk	0.2	0.1
Credit Valuation Adjustment (CVA) Capital Requirements	15.5	22.9
Market Risk: Position, foreign exchange and commodity risks (standardised approach)	7.4	7.6
Position risk	2.4	3.7
Foreign exchange	4.8	3.7
Collective Investment Undertakings	-	-
Commodities	0.2	0.1
Market Risk: Position, foreign exchange and commodity risks (internal models)	287.1	271.2
Operational risk (standardised approach)	65.5	60.6
Large exposures in the trading book	-	2.3
Total capital @ at 8% minimum capital requirement	**682.1**	**649.8**
Total Risk Weighted Assets	**8,526.3**	**8,122.8**

4.9 Regulatory Capital Instruments

As at 31 December 2021, the recognition, classification and valuation of securities included within the group's regulatory capital resources were subject to the requirements of UK Capital Requirements Regulation (CRR) and associated on-shored binding technical standards which were created by the European Union (Withdrawal) Act 2018 and a number of amending statutory instruments.

The instruments will continue to remain eligible under the revisions to the CRR made as part the PRA's Implementation of Basel Standards which are prescribed in the PRA Rulebook (CRR) instrument 2021 (referred to as CRR2).

The regulatory recognition and classification can lead to a different treatment from the IFRS accounting approach upon which the disclosures within the ICBC Standard Bank Plc Consolidated Annual Report are based. For subordinated liabilities, differences can arise in the treatment of fair value hedge accounting adjustments, accrued interest and regulatory requirements surrounding amortisation of dated securities.

Annex A discloses the main characteristics of all capital instruments issued by ICBC Standard Bank Plc.

The use of non-equity forms of regulatory capital plays an important role in the ICBCS Group's capital management process. The main features of all capital instruments are shown in Annex A.

4.10 Liquidity Risk Management

Liquidity risk means the risk that the group, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due. Funding risk is the risk that the group does not have stable sources of funding in the medium and long term to enable it to meet its financial obligations, as they fall due, either at all or only at excessive cost. The group's liquidity risk framework currently also captures funding risk, as the two horizons overlap due to the short and liquid dated nature of the trading focused business model. ICBCS will update the liquidity risk framework in 2022 following the implementation of the NSFR, with funding risk captured separately under this metric.

4.10.1 Liquidity Management Framework

The group's liquidity risk management framework is documented in the ILAAP, which is reviewed and approved by the Board.

The core objectives of the framework are:

- To ensure that the group has adequate liquidity resources for both regulatory and internal purposes on a daily and forward-looking basis, both under normal and stressed conditions
- To ensure strong policies, governance and escalation mechanisms exist, in line with the risk and control monitoring framework
- To maintain a prudent funding profile, with EWIs and stress testing methodologies in place to alert management to potential liquidity and funding deterioration and have sufficient time for mitigating actions

ICBCS incorporates the following policies, methodologies and processes into its liquidity risk management and monitoring framework:

- Cash flow management and forecasting: daily monitoring of the funding and liquidity position supplemented by active monitoring of the group's forecasted liquidity position to ensure sufficient LAB headroom is maintained
- Liquid Asset Investment Policy (LAIP): Defines the asset classes that can be included in the LAB and the procedures for controlling and monitoring it
- Risk Appetite Statement (RAS) and Framework (RAF): Establishes the liquidity risk appetite, ensuring alignment to the wider group strategy, resource availability and business requirements
- Liquidity Limit/EWI Monitoring Policy: Uses group specific and macroeconomic indicators to alert senior management to potential liquidity deficiencies. It also details the escalation procedures to be followed in the event of EWI triggers and RAS limit breaches to maximize time available to execute appropriate mitigation actions
- Liquidity Stress Testing Policy: Helps the group understand potential vulnerabilities to severe but plausible stress events across all applicable liquidity risk drivers, and assist the group in determining its management actions
- Funds Transfer Pricing (FTP) and the Contingent Liquidity Charge (CLC) mechanism: Sets out the methodology used by the group to recharge the cost of funding to the business, based on the desks' funding and contingency liquidity requirements
- Recovery Plan: Establishes a framework to respond to liquidity stress events and, includes a suite of management actions and roles and responsibilities for their enactment
- Funding Plan: Articulates the group's funding strategy across the four-year planning horizon, while ensuring alignment with the overall budget process and RAS

4.10.2 Organisational structure

The group has a robust operating model for the management and monitoring of liquidity risk.

ALCO is the primary committee for managing liquidity. ALCO delegates responsibility to the LSC for overseeing liquidity risk management in the early signs of possible stressed conditions.

TCM Liquidity Management is the functional area responsible for the day to day liquidity and funding management. The team's main responsibilities are to:

- Ensure that the group's liquidity and funding positions are actively and efficiently managed within the constraints of the RAS
- Maintain the funding plan
- Be responsible for TCM P&L
- Maintain the group's methodologies for liquidity stress testing, funds transfer pricing and recharge of liquidity risk (i.e. the contingent liquidity charge)
- Produce funding and liquidity reports including: internal liquidity management information and regulatory returns
- Own the ILAAP, liquidity sections of the Recovery and Resolution Pack, and internal liquidity policy documents (e.g. the Liquid Asset Investment Policy)
- Ensure compliance with changes in funding and liquidity regulations and ensures that the impact on the group's business model is articulated and effectively communicated to senior management

BRMC provides the primary non-executive committee oversight and delegates responsibility to ExCo's sub-committees, RMC and the Market and Liquidity Risk Committee (MLRC). RMC and MLRC ensure liquidity risk is monitored appropriately in BAU and stressed conditions, including monitoring breaches of the RAS.

These executive committees are supported at the functional level by Liquidity Risk on a daily basis.

Liquidity Risk's main responsibilities are to:

- Own the liquidity section of the RAS, the Liquidity Limit/EWI framework and to be responsible for the annual update of associated sections of the ILAAP
- Monitor the group's adherence to the Board approved RAS
- Report the daily Limit/EWI monitoring dashboard and monitor and escalate triggers of the EWIs as required
- Perform the independent review of regulatory returns prior to submission, and of associated adjustments and Business Requirement Documentations (if considered mandatory)
- Challenge and review the internal liquidity stress testing methodology
- Undertake the second line review of the ILAAP and policies/methodologies owned by TCM Liquidity Management to the extent that they materially impact liquidity risk.

Internal Audit provides independent assurance and is mandated by the Board Audit Committee to assess the adequacy and effectiveness of the risk management framework.

4.10.3 Liquidity stress testing

The group's RAS-based internal stress test is a combined market and group-specific stress test with a survival period of 91 days. However, the group also runs separate market and group-specific stresses to ensure that the group's survival horizon is tested across a range of severe but plausible stress scenarios. Each of the stresses is parameterised to ensure that all material on- and off-balance sheet funding and liquidity risks are captured and mitigated.

The liquidity stress testing policy is approved biennially by the Board.

4.10.4 Meeting Liquidity Requirements

The group's liquidity Risk Appetite Statement (RAS) limits are measured through two metrics:

- LAB surplus over the PRA's Internal Liquidity Guidance (ILG) requirement
- LAB surplus over the group's combined internal stress test requirement

These limits ensure that the group holds sufficient LAB to meet both regulatory requirements and the anticipated stressed net contractual and contingent outflows as determined by the group's internal stress tests.

As at 31 December 2021, the LCR was 199% (2020: 200%), and the group held surplus LAB of:

- $3,305m over the ILG requirement, measured at calendar day 30 (2020: $2,103m)
- $3,650m over the internal stress test requirement, measured at the low point of the 91-day survival horizon (2020: US$1,675m)

4.10.5 Liquidity and funding risk monitoring

In addition to RAS limits, the group has further EWIs that can identify the emergence of increased liquidity risk based on key assumptions and liquidity risk drivers which are of relevance to the group's business model e.g. funding concentration, and ratings downgrade thresholds.

ICBCS monitors the composition of its funding base on an ongoing basis. The group's monitoring procedures include the daily reporting of EWIs designed to detect changes in the funding base, including new areas of concentration. Where concentrations are identified, the group ensures that they are appropriately parameterised within its internal stress testing framework to ensure the risk of funding withdrawal is adequately mitigated.

As the business model evolves, the group remains mindful of liquidity and funding risk, with daily management by TCM, and monitoring by Risk, while committee level oversight is provided by ALCO, MLRC and RMC.

This is supplemented by a regular review of the liquidity limit/EWI monitoring policy and the stress testing methodologies, to inform the setting of RAS.

4.10.6 Reporting

The group's main liquidity measurement reporting system is the Assets and Liabilities Database (ALDB). The ALDB provides the group with an effective liquidity tool to enable daily monitoring of the funding and liquidity position.

All liquidity regulatory returns and management information for the group, including all material branches and subsidiaries, are sourced from this in-house system, which is subject to the internal IT governance and controls to ensure continuous completeness and accuracy of data.

Liquidity management information is produced in accordance with regulatory liquidity and internal management reporting requirements to ensure appropriate monitoring of the group's liquidity and funding risks. These range from daily reports (e.g. the limit/EWI dashboard), packs provided to the main executive and non-executive committees and regulatory returns.

4.10.7 Liquidity Coverage Ratio (LCR)

PRA guidelines on LCR disclosure specify the uniform tables and templates required to be disclosed. The tables below provide a quarterly breakdown of the LCR for ICBCS at an individual and group (consolidated) level. The tables show the averages of month end observations over the twelve months preceding the end of each quarter, as required under the guidelines.

Disclosures at both levels are provided in compliance with the disclosure requirements.

Table 7: Average* Individual Liquidity Coverage Ratio for ICBCS

	31 March 2021	30 June 2021	30 September 2021	31 December 2021
Liquidity buffer	4,573	4,715	4,728	5,027
Total net cash outflows	2,389	2,369	2,316	2,425
Liquidity coverage ratio	191%	199%	204%	207%

Table 8: Average* Consolidated Liquidity Coverage Ratio for ICBCS Group

	31 March 2021	30 June 2021	30 September 2021	31 December 2021
Liquidity buffer	4,573	4,715	4,728	5,027
Total net cash outflows	2,385	2,367	2,316	2,425
Liquidity coverage ratio	191%	199%	204%	207%

* The tables above show the averages of month end observations over the twelve months preceding the end of each quarter.

As required by the LCR Delegated Act, the group's LAB composition is aligned to the currency denomination of net cash outflows.

The group's derivative trading activity also generates the risk of margin calls which are likely to increase in the event of stress. The group's LCR calculation incorporates the Historical Look Back Approach's cash outflows for stressed margin calls to ensure that this risk is adequately mitigated. The risk is also parameterised accordingly in the group's internal stress tests.

5. Credit Risk

5.1 Definition

Credit Risk is the risk of loss arising out of failure of counterparties to meet their financial or contractual obligations when due. Credit risk includes counterparty risk (composed of primary, pre-settlement, issuer and settlement risk) and concentration risk.

5.2 Approach to managing credit risk

ICBCS's credit risk arises mainly from loans, commodity leasing, financing transactions related to commodities and securities, and derivative contracts entered into with 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
- continual monitoring of underlying counterparty performance and news flows and adjusting appetite where appropriate
- monitoring credit risk relative to limits
- 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 Risk function.

As part of ICBCS's trading and derivative activity, the firm is exposed to counterparty credit risk, which arises as a result of movements in the fair value of securities and commodities financing and 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 extent to which ICBCS is exposed to counterparty credit risk is informed by the ability to net mark to market exposures across a portfolio of trades, take collateral and call for margin under eligible trading documentation. See section 5.7 for additional details on counterparty credit risk management.

5.2.1 Governance Committees

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 framework
- 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 RMC from time to time
- Escalate matters to RMC as appropriate, including breaches of risk appetite and proposed corrective actions
- Monitor and review Non-Performing Loan (NPL) and Watchlist exposures
- Review and approve counterparty trading documentation (e.g. ISDA Master Agreements, Global Master Repurchase Agreements, etc.) and Legal opinions on Netting, Collateral and other forms of credit risk mitigation
- Approve any underwriting commitments related to Primary Markets transactions

5.2.2 Regulatory Capital Approach for Credit Risk

The group applies a standardised approach for the calculation of credit risk capital.

This calculation of regulatory capital for credit risk is based on applying a risk weighting to the net counterparty exposures after recognising a limited set of qualifying collateral. The risk weighting is based on the exposure characteristics and, in the case of corporate, bank and sovereign exposures, the external agency credit rating applicable to the counterparty. In the case of counterparties for which there are no credit ratings available, exposures are classified as unrated for determining regulatory capital requirements.

5.2.3 Scope of Risk Reporting Systems

The group uses third party software to monitor and measure credit risk limits and exposures.

Credit risk reports are produced on a monthly basis for the RMC and Portfolio Credit Committee. Reports are also provided to the Board Risk Management Committee (BRMC) on a quarterly basis. Additional reporting is provided on an ad-hoc basis as requested by either internal or external stakeholders.

Typical reporting to Board will include an analysis of counterparty exposures by sector, region and ratings. Additional reports provide an overview of significant exposures by economic group across both Financial Institutions and Corporates.

Ad-hoc reporting can include granular analysis of specific counterparties or sectors, excesses, products and risk mitigation measures.

5.3 Credit Risk Adjustments

5.3.1 Performing loans

Performing loans are defined as neither past due nor specifically impaired loans that are current and fully compliant with all contractual terms and conditions.

Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

5.3.2 Non-performing loans and impairments

Non-performing but not specifically impaired loans are not explicitly impaired due to the expected recoverability of the full carrying value when considering future cash flows, including collateral. In this case, ultimate loss is not expected but could occur if the adverse condition persists.

Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. This includes objective evidence such as known cash flow difficulties, breach of covenants, granting of concessions due to downgrades in credit rating etc.

Specifically, impaired loans 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 due to some pending factors that may strengthen the quality of the items
- Loss: Items that are considered to be uncollectible in whole or in part. ICBCS provides fully for its anticipated loss, after taking collateral into account

Non-performing loans are those loans for which:

- The group has identified objective evidence of default, such as a breach of a material loan covenant or condition, or
- Instalments are due and unpaid for 90 days or more

Additional disclosures on non-performing and forborne exposures can be found in Appendix E.

5.3.3 IFRS 9

Firms are required to implement the set of transitional calculations set out in the CRR Quick Fix including amending the common equity tier 1 (CET1) add-back factors applied to relevant ECL provisions for 2020-24. ICBCS has adopted the revised transitional arrangements where the CET1 add-back percentages were set at 100% in 2020 and 2021, 75% in 2022, 50% in 2023, and 25% in 2024 for relevant provisions raised from 1 January 2020.

The impact of these transitional arrangements on the ICBCS capital base can be seen in the table below, and also in Appendix B.

Table 9: IFRS9 Transitionals

		As at 31 December 2021	As at 31 December 2020
	Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	1,148.4	1,072.9
2	*Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*1,147.5*	*1,068.5*
3	Tier 1 capital	1,308.4	1,232.9
4	*Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*1,307.5*	*1,228.5*
5	Total capital	1,558.4	1,482.9
6	*Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*1,557.5*	*1,478.5*
	Risk weighted assets (amounts)		
7	Total risk-weighted assets	8,526.3	8,122.8
8	*Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*8,525.5*	*8,118.7*
	Capital Ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.47%	13.21%
10	*Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*13.46%*	*13.16%*
11	Tier 1 (as a percentage of risk exposure amount)	15.35%	15.18%
12	*Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*15.34%*	*15.13%*
13	Total capital (as a percentage of risk exposure amount)	18.28%	18.26%
14	*Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*18.27%*	*18.21%*
	Leverage Ratio		
15	Leverage ratio total exposure measure	25,679.8	25,178.9
16	Leverage ratio	5.09%	4.90%
17	*Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	*5.09%*	*4.88%*

Additional disclosures on impairments are included on pages 75-76, 81, 122 (note 30.6) and 142 of the ICBC Standard Bank Plc Consolidated Annual Report 2021.

5.4 Credit Risk Portfolio Characteristics

The credit risk exposures presented in this section relate to positions which attract a credit risk regulatory capital charge on a standardised basis. This excludes the credit risk exposures in the banking and trading book which generate counterparty credit risk and are addressed separately in section 5.6.

5.4.1 Analysis of Credit Portfolio

The credit portfolio in the non-trading book is analysed in the tables that follow in terms of the exposure class. The average credit risk exposure by exposure class over 2021 is shown in the table below.

Table 10: Credit Risk Exposures by Exposure Class (pre-mitigation)

	Average exposure pre-mitigation over the year ($m)	Exposure pre-mitigation as at 31 December 2021 ($m)
Central governments or central banks	5,994	8,439
Regional governments or local authorities	0	0
Public sector entities	234	85
Multilateral development banks	778	646
International organisations	0	0
Institutions	1,043	913
Corporates	1,855	2,247
Retail	0	0
Secured by mortgages on immovable property	0	0
Exposures in default	18	13
Items associated with particularly high risk	8	11
Covered bonds	0	0
Claims on institutions and corporate with a short-term credit assessment	0	0
Claims in the form of CIU	0	0
Equity exposures	3	3
Other items	52	46
Securitisation positions	0	0
Total	**9,985**	**12,403**

As at 31 December 2021, the credit risk exposures of ICBCS Group before credit risk mitigation were predominantly to central governments and central banks, multilateral development banks, corporates and institutions, as shown in the table above. ICBCS places a large amount of short dated deposits at the Bank of England, which result in the material exposure to central banks. In addition, ICBCS held a significant amount of debt securities issued by multilateral development banks in 2021 as part of the LAB

5.4.1.1 Specialised Lending Exposures

The PRA requires that specialised lending exposures, as defined per the EBA Regulatory Technical Standards (RTS) as adopted in the UK, arising through the group's business streams are separately identified from general corporate exposures.

As at 31 December 2021, the ICBCS Group had no specialised lending exposures.

5.4.1.2 Retail Exposures

As at 31 December 2021, the ICBCS Group had no retail exposures as defined by the PRA requirements.

5.4.1.3 Exposures to Securitisations

As at 31 December 2021, ICBCS Group has no securitisation exposures on its balance sheet. Additionally, there are no impaired or past due assets securitised or losses recognised by the group during the current period.

5.4.2 Concentration risk

The group actively aims to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified credit portfolio. Single obligor, industry, geography and product specific concentrations are actively assessed and managed against risk appetite limits.

Other credit risk concentrations that are managed are: type of collateral, type of security, maturity, physical inventory exposures and trading book issuer risk.

5.4.2.1 Industry

A breakdown of exposures by industry is shown below. The exposures to central banks predominantly related to cash balances held with the Bank of England.

Table 11: Distribution of Credit Exposure by Industry (post-mitigation)

As at 31 December 2021	Central governments or central banks ($m)	Corporates ($m)	Institutions ($m)	Multi-lateral Development Banks	Public Sector Entities	Other ($m)	Total exposure post-mitigation ($m)	*Of which: impaired and past due exposures ($m)*	Credit Risk Adjustments Specific ($m)
Agriculture	0	0	0	0	0	0	0	-	0
Electricity	0	58	0	0	0	0	58	-	1
Finance: banks	0	172	689	646	85	0	1,592	-	1
Finance: non-bank financial institutions	0	855	94	0	0	3	951	-	1
Individuals	0	0	0	0	0	0	0	-	0
Manufacturing	0	72	0	0	0	0	72	1	12
Mining	0	247	0	0	0	0	247	-	2
Transport	0	0	0	0	0	0	0	-	0
Wholesale	0	465	0	0	0	0	465	-	0
Government and Public Administration	6,390	0	0	0	0	1	6,392	-	0
Other	0	1	0	0	0	44	46	-	0
Total	**6,390**	**1,870**	**783**	**646**	**85**	**48**	**9,823**	**1**	**17**

5.4.2.2 Geographic Region

A breakdown of exposures by geographic regions is shown below.

Table 12: Geographical Distribution of Credit Exposures (post-mitigation)

As at 31 December 2021	Central governments or central banks ($m)	Corporates ($m)	Institutions ($m)	Multi-lateral Development Banks ($m)	Public Sector Entities ($m)	Other ($m)	Total exposure post-mitigation ($m)	*Of which: impaired and past due exposures ($m)*	Credit Risk Adjustments Specific ($m)
United Kingdom	6,077	388	239	0	0	47	6,751	0	0
Eurozone	0	224	19	135	85	0	464	0	0
Rest of Europe	0	154	1	0	0	0	155	0	1
Asia-Pacific	5	556	305	0	0	1	867	0	1
Middle East & North Africa	100	256	150	0	0	0	507	0	0
Sub-Saharan Africa	19	33	5	0	0	0	56	0	0
North America	189	259	64	511	0	0	1,023	1	14
Latin America	0	0	0	0	0	0	0	0	0
Total	**6,390**	**1,870**	**783**	**646**	**85**	**48**	**9,823**	**1**	**17**

5.4.2.3 Maturity

The credit exposures of ICBCS are predominantly short dated (less than 1-year residual maturity), as shown in the table below.

Table 13: Credit Risk Exposures by Residual Maturity (post-mitigation)

As at 31 December 2021	Less than 1 year ($m)	1 to 5 years ($m)	Greater than 5 years ($m)	Total exposure post-mitigation ($m)
Central governments or central banks	6,196	190	3	6,390
Regional governments or local authorities	-	-	-	-
Public sector entities	0	85	0	85
Multilateral development banks	207	439	0	646
International organisations	0	0	0	0
Institutions	783	0	0	783
Corporates	1,077	684	100	1,860
Retail	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-
Exposures in default	1	0	0	1
Items associated with particularly high risk	9	0	0	9
Covered bonds	-	-	-	-
Claims on institutions and corporate with a short-term credit assessment	-	-	-	-
Claims in the form of CIU	-	-	-	-
Equity exposures	3	0	0	3
Other items	46	0	0	46
Securitisation positions	-	-	-	-
Total	**8,322**	**1,398**	**103**	**9,823**

5.5 Use of Credit Ratings

The nominated External Credit Assessment Institutions (ECAIs) used by the ICBCS Group for regulatory capital purposes are Moody's and Fitch Ratings. These agencies are used to source ratings for all credit exposure classes. The group has not nominated any export credit agencies to determine credit ratings.

For counterparty and credit risk purposes, the group contracts a specialist external supplier to source ratings issued by Moody's and Fitch for specified companies. The group produces a request list containing all counterparties and guarantors to which the group has current exposure, for which the external supplier sources current ratings.

Credit ratings are applied as per the requirements under the UK CRR based on the prescribed credit quality steps.

Table 14: Credit risk exposures by credit quality step

			As at 31 December 2021	
Credit Quality Step	**Fitch**	**Moody's**	**Exposure pre-mitigation ($m)**	**Exposure post-mitigation ($m)**
Unrated			2,409	1,501
1	AAA to AA-	Aaa to Aa3	7,076	7,543
2	A+ to A-	A1 to A3	518	281
3	BBB+ to BBB-	Baa1 to Baa3	133	285
4	BB+ to BB-	Ba1 to Ba3	277	209
5	B+ to B-	B1 to B3	1,990	4
6	CCC+ and below	Caa1 and below	0	0
Deductions			1	1
Total			**12,403**	**9,823**

Where the post-mitigation exposure value is greater than the pre-mitigation exposure value, this reflects the application of guarantees.

The level of exposures shown as "Unrated" by ECAIs reflects the group's commodity and emerging markets focus and the nature of the client base that have typically sought bank financing rather than accessing debt capital markets and therefore do not have a need to carry an external rating.

All exposures are allocated internal ratings using a bank wide probability of default scale that can be mapped to equivalent external ratings. 26% of these exposures carry an internal rating equivalent to BBB- or better (investment grade), 41% are in the BB category, 31% single-B and the remaining 2% are CCC or below, including past due items.

5.6 Counterparty Credit Risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial instruments and may include derivative and repo contracts. The amounts at risk reflect the aggregate replacement costs that would be incurred in the event that the counterparties default on their obligations.

5.7 Approach to managing counterparty credit risk

The group's exposure to counterparty risk is affected by the nature of the underlying trades, the creditworthiness of the counterparty, and any netting and collateral arrangements.

Counterparty credit risk considers any potential future exposure and is recognised on a net basis where netting agreements are in place and are legally recognised, or otherwise on a gross basis. Exposures are generally marked-to-market daily. Cash or near cash collateral is recognised where agreements are in place and legally recognised.

The Board of the International Organization of Securities Commissions (IOSCO) introduced rules governing margin requirements for non-centrally cleared derivatives in 2015. This mandated counterparties to bilaterally exchange initial margin (IM), equivalent to 10 day 99th percentile exposure on OTC derivatives, via a bankruptcy remote clearer to offset counterparty credit exposure. This was implemented in an annual phased approach starting on 1st September 2017.

The Bank became eligible for adherence to the IOSCO rules during the 5th annual implementation phase on the 1st September 2021. The Bank's daily IM requirement calculation is based on the industry standard ISDA SIMM model. The Bank has been granted internal model approval by the Federal Reserve Board following an assessment of the model implementation, general industry participation and the overarching model control framework. The Bank has operational IM CSA agreements with a number of eligible counterparts. The Bank also have IM threshold monitoring agreements (the pre-IM CSA negotiation phase) in place where the daily calculated IM is below the threshold utilisation level of 75%. Any IM received / posted under this framework forms part of the daily credit risk limit management.

5.7.1 Measuring Exposures for Counterparty Credit Risk

As at 31 December 2021, the group applied the mark-to-market method for the calculation of counterparty credit risk exposures for regulatory purposes. Under the mark-to-market method, EAD is based on the balance sheet value of the instrument plus a regulatory prescribed add-on for potential future exposure.

From 1 January 2022, the group applies the Standardised Approach for Counterparty Credit Risk (SA-CCR) for calculation of counterparty credit risk regulatory exposures

5.7.2 Internal Credit Limits

Counterparty credit risk exposures are subject to explicit credit limits which are formulated and approved for each counterparty and economic group, with specific reference to its credit rating and other existing credit exposures.

The maximum credit risk appetite for counterparties is determined through a combination of credit quality (expressed as an internal credit rating) and nature of exposure, taking account of risk mitigants. Internal credit ratings are mapped to internally modelled probabilities of default (PDs).

Additionally, a number of product specific, obligor quality limit guidelines and counterparty specific policies also serve to determine risk management and credit limit setting. Credit limits are established through the group's credit approval framework on the basis of the projected maximum potential future exposure of anticipated derivative transaction volumes, generally based on 95th percentile assumptions.

Credit limits consider the type of documentation held for netting or collateral management purposes. Outstanding exposures are calculated on a potential future exposure basis, based upon the transaction characteristics and documentation.

5.7.3 Securing Collateral and Establishing Credit Reserves

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit and counterparty credit risk. The ICBCS credit policy outlines risk mitigants that may be applied to minimise risk and that may be considered as part of the credit process.

Collateral arrangements are typically governed by industry standard agreements (such as Global Master Repurchase Agreements and Credit Support Annexes to ISDA Master Agreements). Internal policies require that appropriate documentation is put in place for all clients prior to trading.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

Reverse repurchase agreements are underpinned by the assets being financed, which are mostly liquid and tradable financial instruments and commodities.

For derivative transactions, the group typically uses 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, downgrade of the counterparty's public credit rating.

For certain derivative transactions which meet eligibility for clearing at a Central Counterparty (CCP), the transactions are cleared with the CCP and the counterparty credit risk is replaced by an exposure against the CCP.

The management of concentration risk is outlined in credit policies, incorporating guideline limit frameworks at both a risk-weighted and notional level. Such guidelines are calibrated to the firm's available financial resources and exist to manage counterparty concentrations. Requests for limits to exceed the guidelines are only considered at Credit Committee.

Furthermore, sector concentrations are monitored against a portion of the firm's overall Economic Capital and Earnings at Risk amounts. Sector concentrations are monitored each month at RMC and provide a view as to which sectors the firm's financial resources are being utilised.

See section 6 for additional details of credit risk mitigation.

5.7.4 Wrong Way Risk

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 group's credit exposure to the counterparty increases or as the value of the collateral held by the group 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. Where appropriate, consideration is given to factors which may mitigate the high degree of correlation.

As a general principle, credit risk exposures whether in the Banking or Trading Book should ideally be right way risk and significant WWR exposures should be avoided where possible. It is acknowledged that WWR may be inherent in certain forms of transactions/products, and franchise or relationship considerations may require an element of business with a particular counterparty to carry some degree of WWR. This is in line with the group's business strategy and is monitored through the WWR framework and reporting.

WWR needs to be managed both at an individual obligor level and at an aggregate country and portfolio level given the potential for positive correlation between defaults by obligors in the same country or sector. Exceptions to these general principles may be considered where warranted, but should be subject to appropriately rigorous policy application and oversight, with due regard for capital and risk appetite constraints at a legal entity and portfolio level.

The group's WWR policy defines two types of WWR, as described below.

5.7.4.1 Specific Wrong Way Risk (SWWR)

Specific Wrong Way Risk occurs where there is a direct or very strong positive correlation between a counterparty exposure and the probability of default of the counterparty due to:

- Legal relationship
- Economic group relationship in the absence of a diversified portfolio
- Other factors of a substantially similar nature

The group has limited appetite for SWWR and such risk will only be considered under exceptional circumstances and in conjunction with assessing and recognising the associated risks.

Any credit risk mitigation received is specifically assessed to ensure that it does not exhibit material positive correlation between the collateral and the borrower. Where such correlation is considered to be material, the benefits of such mitigation are not recognised for capital purposes. This assessment of materiality is undertaken at the Credit Committee, as part of transaction approval.

5.7.4.2 General Wrong Way Risk (GWWR)

General Wrong Way Risk occurs where there is a positive correlation between the counterparty exposure and the probability of default of the counterparty, arising from macro factors rather than a direct relationship. For example, buying credit protection on a financial institution (reference entity) from another bank that operates within the same country or geographic region as the reference entity.

A correlation status of High, Medium or Low GWWR is assigned to a transaction based off variables that consider aspects such as sector, geography and currency. Aggregate High, Medium and Low WWR exposures arising from OTC Derivatives are managed and monitored under the approved WWR framework.

5.7.5 Contingent Risk

Contingent Risk is the risk that approved credit risk mitigation techniques applied prove to be less effective than expected. Exit and gap risk are components of contingent risk. Gap risk can be considered a “hybrid” between market and credit risk.

5.7.5.1 Gap Risk

Gap risk is defined as the risk of a shortfall due to a dislocation of the collateral value in an event of a sudden unexpected change in its price. This applies typically to transactions where the group would predominantly rely on the underlying collateral to cover a default or non-performance of a loan. This arises where the value of recourse to the counterparty is deemed low or zero.

Distinct calculations are defined for calculating the potential event loss on non-recourse and wrong way recourse transactions, which arises where the value of recourse to the counterparty is deemed zero or low. Gap risk exposure is an add on to monthly credit risk economic capital calculations.

- *Zero counterparty recourse*
  The collateral represents all or a significant portion of the counterparty value (e.g. an SPV whose only assets are the collateral). The marginal risk is driven by market moves in the collateral; however, it is expected the gap event is a credit type event (e.g. accounting fraud etc.)
- *Low counterparty recourse*
  There is deemed to be a significant correlation (wrong way risk) between the value of recourse to the counterparty and the underlying collateral. The loss in a gap event materialises as a direct credit loss, where either the counterparty or the collateral issuer default or both counterparty and issuer default simultaneously.
  The gap risk exposure is estimated through a stress expected loss calculation (exposure * PD * loss given default (LGD)), where the rating of the counterparty and the issuer is shocked down based on historic S&P (2000 – 2020) rating transition data and a stressed LGD, whilst taking account of the degree of wrong way correlation between the counterparty and the issuer
- *Aggregation*
  Individual exposures are aggregated using the root sum square approach. If transaction structures are deemed to be correlated, they are included in the aggregation assuming a correlation of one, whereas if transaction structures are deemed to be uncorrelated, they are included in the aggregation assuming a correlation of zero

5.7.5.2 Exit Risk (for physical commodity assets)

Exit risk is the risk of a shortfall arising from the planned purchaser failing to meet obligations and ICBCS incurring a variety of costs which may be associated with the group’s exercise of legal rights over its security interests, or its own physical assets and liquidating them in an orderly manner. Exit risk is included within the monthly credit risk economic capital calculation.

While these calculations reflect the current volumes under finance, they are derived differently between the Energy and Metals businesses. For Energy, the physical /logistical costs (which may include but not limited to demurrage, lithering, relocation, piping and storage costs as well as basis and curve risk) are marked to the prevailing rates at the time of the transaction. For Base Metals a minimum recommended haircut value is calibrated by Market Risk. Where the minimum recommended haircut value is not considered, the shortfall is deemed to be Exit Risk. The Base Metals minimum recommended haircut values are calibrated and updated quarterly based on the latest physical/logistical costs provided by PCRA and Market Risk calibrates the pricing risk.

Stressed Exit Risk (for physical commodity assets)
Stressed exit risk recognises low probability events or tail-event risks, but nevertheless plausible risks, that exist over and above what is accounted for in the base exit risk calculation and could result in a more complex and protracted realisation of the commodity. The stressed numbers could be based on a protracted base exit risk scenario and/or additional costs or risk factors not included in the base exit risk scenario. These numbers could naturally be higher for client related and client owned locations for example and/or for more challenging legal jurisdictions. Stressed exit risk is calculated and included within the monthly credit risk economic capital calculation where appropriate.

5.7.5.3 Credit Insurance Risk

Credit insurance risk is the risk of non-payment or partial non-payment by a provider of credit insurance due to incorrect insurance documentation or an insurer otherwise declining to make a payment under the terms of an insurance policy. This risk is distinct from the risk of the insurer being unable to pay, which is captured under credit risk.

5.7.6 Collateral requirements in the event of a downgrade

Collateral arrangements entered into with external counterparties, which are governed by industry standard legal and contractual agreements, may also require the group to post eligible collateral.

Based on existing contractual agreements in place as at 31 December 2021, ICBCS would be required to post less than $100m of additional collateral, arising specifically as a result of a hypothetical idiosyncratic 2-3 notch downgrade of ICBCS's current long-term debt rating and any accompanying short-term downgrade implemented simultaneously by all major rating agencies.

5.7.7 Derivative Valuation Adjustments

Credit and Debit Valuation Adjustments (CVA and DVA) are incorporated into derivative valuations to reflect the impact on the fair value of counterparty credit risk and ICBCS's own credit quality, respectively. Details of the application of derivative valuation adjustments, including CVA and DVA are provided in the ICBCS Annual Report (as referenced below).

The Credit Valuation Adjustment (CVA) covers the risk of mark-to-market losses on expected counterparty risk to derivatives.

Additional disclosures on derivative valuation adjustments are included on page 110 (Note 23.3) of the ICBC Standard Bank Plc Consolidated Annual Report 2021.

5.8 Governance committees

The governance arrangements for counterparty credit risk are identical to the governance of credit risk as described in section 5.2.1.

5.9 Counterparty Risk Portfolio Characteristics

The total counterparty credit risk exposure, post credit risk mitigation for ICBCS as at 31 December 2021 was $4,366m. This includes exposures arising from derivatives, securities and commodities financing and other similar transactions, and accounts for both the mark to market of the portfolio and any potential future exposure, where relevant.

Table 15: Counterparty Credit Risk – Exposure Value

As at 31 December 2021	Amount ($m)
OTC derivatives (mark-to-market method)	3,563
Securities financing transactions	803
Other	0
Total exposure post-mitigation	**4,366**

A breakdown of the counterparty credit risk exposure (for derivatives only) is shown in the table below. A majority of the counterparty credit risk exposures from derivatives are to institutions. ICBCS mitigates counterparty credit risk by the use of legally valid bilateral netting agreements and the acceptance of margin and other eligible collateral which is discussed in section 6.3. The exposures shown below are calculated based on the mark to market of the derivative positions.

Table 16: Counterparty Credit Risk - Net Derivatives Credit Exposure

As at 31 December 2021	Amount ($m)
Gross positive fair value	5,987
Less: netting benefits	3,869
Netted current credit exposure	**2,118**
Of which:	
Central governments or central banks	
Regional governments or local authorities	-
Public sector entities	-
Multilateral development banks	11
International organisations	-
Institutions	1,688
Corporates	398
Retail	
Secured by mortgages on immovable property	-
Exposures in default	-
Items associated with particularly high risk	23
Covered bonds	-
Claims on institutions and corporate with a short-term credit assessment	-
Claims in the form of CIU	-
Equity exposures	-
Other items	-
Securitisation positions	
Less: collateral applied	1,315
Total net derivatives credit exposure post collateral	**803**

5.9.1 Credit Derivatives

Credit derivatives are a method of transferring credit risk from one party (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.

The following table shows the use of credit derivatives by ICBCS, split by protection bought and protections sold.

Table 17: Counterparty Credit Risk on Credit Derivative Transactions

As at 31 December 2021	Protection bought ($m)	Protection sold ($m)	Total ($m)
Credit derivative products used for own credit portfolio			
Credit default swaps	196	238	435
Total return swaps	0	248	248
Total notional value	**196**	**486**	**683**
Credit derivative products used for intermediation			
Credit default swaps	198	198	395
Total return swaps	593	593	1,187
Total notional value	**791**	**791**	**1,582**
Total Notional Value of Credit Derivatives	**987**	**1,277**	**2,265**

The table above shows that exposures to credit derivatives arise predominantly as a result of intermediation activities for clients.

6. Credit Risk Mitigation

6.1 Use of Credit Risk Mitigation

The group uses a range of approaches to mitigate credit risk.

Collateral, guarantees, derivatives and netting are widely used to mitigate credit risk. The Credit Policy outlines risk mitigants that may be applied within ICBCS to minimise risk and that may be considered as part of the credit process. The policy also outlines the use of legally approved Master Trading Agreements when executing derivative transactions.

6.2 Internal Policies and Controls

6.2.1 Credit principles, policy and collateral management

The Credit Policy sets out the credit principles and policy according to which credit risk is managed. Principles and policies are reviewed regularly and at least annually, and any changes are subject to a review and approval process. Policies, where appropriate, are supported by guidelines, which also define the responsibilities of credit officers and provide a disciplined and focused benchmark for credit decisions. Policies cover core aspects of the credit process including the measurement, management and quantification of credit risk as well as governance. Oversight and reviews are also undertaken by Internal Audit.

The policy outlines the application of credit risk mitigation by ICBCS, including the monitoring and reporting associated with the provision of collateral. It also highlights the key considerations that ICBCS adheres to in relation to the liquidity and volatility of collateral, and the legal enforceability of all such credit risk mitigation arrangements.

6.2.2 Controls over rating systems

ICBCS previously outsourced the controls over rating systems to an independent team in the Risk Division of Standard Bank Group. During the course of 2021 ICBCS repatriated the Credit Rating System (CRS) and the associated PD and LGD models to be incorporated within its own IT and Risk frameworks.

6.2.3 Concentration risk

The management of concentration risk is undertaken via the Credit Policy which incorporates Credit Limit Appetite Guidelines (CLAG). This framework is calibrated to the group's available financial resources and provides guidelines as to the maximum amount of unsecured credit risk that ICBCS is willing to take on any single counterparty. Any exceptions to the guidelines are only considered at Credit Committee and may be granted for strategic purposes.

Credit risk management also includes controls on sectors and product lines reflecting the group's risk appetite, in addition to the individual limit guidelines. Exposures are monitored to prevent an excessive concentration of risk and single name concentrations. In addition, sectoral concentrations are monitored monthly by the RMC.

The Notional Inventory Risk Framework (NIRF) specifically covers commodity product concentrations and specific policies and procedures are in place to manage concentrations to warehouses/locations that are utilised to store physical commodity inventories owned by the group.

The group has Notional Inventory Financing Limit Guidelines in place for its commodity repo business to manage counterparty concentration risk in terms of absolute transaction volumes, even if direct credit exposure is modest. This control framework is principally based on counterparty credit rating and storage locations of the underlying commodity. Exceptions to these notional guideline limits may be approved by Credit Committee for certain strategic counterparties, if sufficient mitigation is in place, including diversification of location / product concentration risks and enhanced control processes.

The group also considers risk concentrations by collateral providers and collateral types, as appropriate, with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed by changes to strategy, policy and /or business plans.

The group's large exposures are reported in accordance with regulatory reporting requirements.

Guarantees that are treated as eligible credit risk mitigation are marked as an exposure against the guarantor and aggregated with the credit exposure to the guarantor. Limit monitoring at the counterparty level is then used for monitoring of concentrations in line with credit policy.

6.2.4 Cross-border exposures

Country limits are authorised by the Credit Committee, considering economic, financial, political and social factors. Policies stipulate that these limits must be consistent with, and support the approved business and strategic plans of the group.

6.2.5 Stress testing and scenario analysis

The ICBCS credit portfolio is subject to stress testing, with stressed scenario assessments run at least monthly. This covers the following:

6.2.5.1 Counterparty Stressed Expected Exposures

Expected exposures are modelled on a daily basis under BAU assessments. These assessments are based on a Monte Carlo simulation of the underlying risk factors across all asset classes (e.g. FX, interest rates, commodity and credit). All individual transactions are priced under this framework and the aggregated exposure is calculated based on the legal agreements in place (e.g. considering the presence of an ISDA netting agreement and a corresponding Credit Support Annex) with individual counterparties.

Assessments for stress testing involve the determination of macroeconomic scenarios (updated annually or on an ad hoc basis e.g. if market events (COVID-19) supersede existing scenarios, for internal risk management and the ICAAP by leveraging inputs from an external service provider) which are translated into a term structure (annual stress over a four-year horizon) of risk factor shocks by the external service provider. The risk factor shocks are applied to the day 0 MtM over the term structure, assuming a static portfolio, for each macro-economic scenario. Finally, applying the credit migrations (see section 6.2.5.2), a stressed expected loss is calculated for each macro-economic scenario.

6.2.5.2 Credit Rating Migration

Under BAU assessments, credit managers assign country and counterparty ratings to exposures based on internal assessments of the PD and LGD. The assessments are carried out using a combination of internally developed credit models based on scorecards, and detailed knowledge of the client and market.

These ratings are frequently reviewed, typically annually and more frequently if input data (e.g. financials) is out of date. Internally modelled ratings and assessments can only be overridden with the appropriate level of oversight and authorisation.

The process for a stressed assessment undertaken based on internally determined macroeconomic stress scenarios as discussed in 6.2.5.1 is as follows:

- The top credit counterparties (Financial Institutions, Corporates and Sovereigns) are individually reviewed and ratings migrations (notch downgrades) are assigned to match the severity and nature of each macroeconomic stress scenario
- For the remaining counterparties, the sectors and geographies are reviewed and ratings migrations are assigned to match severity and nature of each macroeconomic stress scenario

In order to mitigate the risks associated with expert judgement, a variety of stakeholders are approached to discuss and challenge the proposed stressed parameters. Once the assessments are consolidated, the results are redistributed to the stakeholders, who review the output to ensure that individual inputs used have produced a plausible final result.

6.2.6 Valuation

ICBCS ensures that collateral should always be realistically valued by an appropriately qualified source, independent of both the credit decision process and the customer, at the time of borrowing. Collateral is reviewed on a regular basis and will vary according to the type of lending and collateral involved. In order to minimise the credit loss, ICBCS may seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

6.3 Principal types of Credit Risk Mitigation

6.3.1 Derivative Netting

For derivative transactions, the group uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a Credit Support Annexure (CSA), 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, downgrade of the counterparty's external credit rating.

6.3.2 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 transactions 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.

6.3.3 Guarantees and 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 taken through the use of risk weight substitution for guarantees provided by appropriate central governments, central banks, institutions and corporates. 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 and standby letters of credit, may be classified as a guarantee for regulatory capital purposes.

6.3.4 Credit Derivatives

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 (including bankruptcy, failure to pay and restructuring) affecting the obligor, 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 protected asset 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 value being the redemption amount. If no credit event occurs, the bond or note will be redeemed at par by the protection buyer.

6.3.5 Collateral

Collateral may be obtained against credit exposure, depending on the creditworthiness of the counterparty and/or nature of the transaction. Any collateral taken may be subject to a 'haircut', which is negotiated at the time of signing the collateral agreement. A haircut is the reduction factor in the valuation applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security.

Collateral obtained for derivatives is predominantly cash. The collateral documentation gives ICBCS the power to realise any collateral in the event of the failure of the counterparty.

As a consequence of the jurisdictions that the group operates in, an additional risk which may arise is that collateral enforceability is protracted through the legal process. This manifests itself through an impact on the profit and loss of the firm, which is only recovered once full settlement occurs. This risk is partially mitigated through various limits frameworks in relation to the inventory held, country limits and requirements for enhanced due diligence.

Under IOSCO IM security-based collateral is lodged with a bankruptcy remote agent. Haircuts and power to realise are governed under individual IM CSA agreements.

6.4 Regulatory Capital Approach for Credit Risk Mitigation

Credit risk mitigation applied in regulatory capital calculations by ICBCS typically takes the form of one or more of the following:

- Eligible financial collateral
- Other eligible collateral
- Guarantees
- Credit derivatives
- Netting

Only certain types of collateral are deemed eligible for regulatory capital purposes. Eligible financial collateral typically includes cash on deposit within the group, gold, rated debt securities (subject to certain restrictions) and equities or convertible bonds included in a main index. Other types of collateral are also used, provided the criteria for regulatory capital recognition are met.

The recognition of eligible collateral requires a number of factors to be considered including, legal certainty of charge, frequency and independency of revaluation and correlation of the value of the underlying asset to the obligor.

The amount and type of credit risk mitigation depends on the circumstances of each case. Credit risk mitigation policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforceability. Detailed processes and procedures are in place to guide each type of mitigation used.

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. Guidelines are in place regarding the acceptability of types of collateral, their strength as credit risk mitigation and valuation parameters.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantors, as for other counterparty credit approvals.

6.4.1 Application of Credit Risk Mitigation under the Standardised Approach

Where a credit risk exposure is mitigated by a form of eligible financial collateral the exposure value is adjusted accordingly under the Financial Collateral Comprehensive Method (FCCM). Where guarantees or credit derivatives apply, the risk weight applied to the portion of the exposure covered by the protection provider is based on the risk weight attached to the provider. The covered portion is determined after the application of 'haircuts' for currency and maturity mismatch applied to the protection provided. The risk weight applied to the uncovered portion of the exposure is not impacted.

Collateral is generally accepted in the form of cash, government bonds, equities or commodities. Collateral concentrations are generally inherent within the securities financing portfolio due to the types of clients being financed. On occasion collateral posted by a client will be government bonds of its own domicile, which can generate WWR as well as risk concentrations should a number of clients within that domicile be financed at the same time. Such concentrations are assessed on a case-by-case basis to ensure overall appetite is not breached and will be viewed in line with current market conditions for that client's domicile. Typically, there would be insistence on trades being margined daily, trades may be short dated and sufficient haircuts will be applied to manage gap risk and enable a close out to take place to minimise potential losses.

6.4.2 Credit Risk Mitigation Recognised

The table below shows the use of credit risk mitigation in the banking book, by exposure class. The primary issuers of guarantees and credit derivatives used by ICBCS for credit risk mitigation are other corporates and institutions. All guarantees and credit derivatives recognised for credit risk mitigation were from counterparties rated BBB- and above.

Table 18: Credit Risk Mitigation Received by Exposure Class

As at 31 December 2021	Eligible financial collateral ($m)	Guarantees and credit derivatives ($m)
Central governments or central banks	1,991	100
Regional governments or local authorities	-	-
Public sector entities	-	-
Multilateral development banks	-	-
International organisations	-	-
Institutions	447	317
Corporates	82	437
Retail	-	-
Secured by mortgages on immovable property	-	-
Exposures in default	-	-
Items associated with particularly high risk	2	-
Covered bonds	-	-
Claims on institutions and corporate with a short-term credit assessment	-	-
Claims in the form of CIU	-	-
Equity exposures	-	-
Other items	-	-
Securitisation positions	-	-
Total	**2,522**	**854**

The table above illustrates that the majority of financial collateral in the banking book is received under secured lending transactions undertaken with central banks.

6.4.2.1 Counterparty credit risk mitigation

As at 31st Dec 2021, the eligible collateral post regulatory haircuts recognised for securities financing and other similar transactions included in the banking and trading book was $2,674m, of which $899m was placed by corporates and $1,775m was placed by institutions.

The collateral recognised as counterparty credit risk mitigation against derivative exposures in the trading book ($1,315m) is shown in **Table 16**. This collateral was primarily received in the form of cash margin.

7. Country Risk

7.1 Definition

Cross-border country risk is the uncertainty that obligors (including the relevant sovereign, and including the obligations of the group's branches and subsidiaries in a country) may not be able to fulfil their obligations to the group outside the host country because of political or economic conditions in the host country. This includes group equity investments and physical inventories owned by the group in a host country.

7.2 Approach to Managing Country Risk

All countries to which the group is exposed are reviewed at least annually. Internal rating models are employed to determine ratings for jurisdiction (on a rating scale AAA to C), sovereign, and transfer and convertibility risk (on a rating scale RG01 to RG25). In determining the ratings, extensive use is made of the group's network of operations and external information sources. These internal ratings are also a key input into the group's credit rating models.

Country risk may be mitigated through a number of methods, including:

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

7.2.1 Scope of Risk Reporting Systems

The group uses third party software (Adaptiv) to monitor and measure country risk limits and exposures.

Country risk reporting provided to the BRMC focuses on exposures across country risk grades and region. Exposures to countries on an internal watch-list are monitored separately.

Additional disclosures on country risk are included on pages 148-149 (Note 37.5) of the ICBC Standard Bank Plc Consolidated Annual Report 2021.

8. Market risk

8.1 Definition

Market risk can be defined as the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices. Market prices include currency exchange rates, interest rates, commodity prices, credit spreads, recovery rates, correlations and implied volatilities within these variables.

Within ICBCS, this consists of:

- Market risks arising from trading activity in financial instruments and commodities
- Interest rate risk from interest rate sensitive positions held in the banking book (IRRBB)
- Issuer risks in credit and equity instruments held in the banking book
- Foreign currency risk in the banking book

8.2 Governance Committees

8.2.1 Market and Liquidity Risk Committee (MLRC)

MLRC is responsible for monitoring and controlling market risk for the group, and overseeing adherence to the agreed risk appetite. MLRC is a sub-committee of RMC.

Key responsibilities of this committee include:

- Oversight to the agreed market risk appetite
- Monitoring and reviewing the market and liquidity risk profile and establishing an appropriate control framework to manage market and liquidity risk across the group in line with the agreed risk appetite
- Recommending Level 1 limits (legal entity or business unit level) across the group, to be ratified by RMC and approved by Board level committees
- Developing, managing and implementing a framework of sub-limits (level 2 limits)
- Monitoring VaR, Stressed VaR (SVaR), economic capital and stress testing exposures against limits across the group
- Reviewing market and liquidity risk policies (at least annually)

8.3 Market Risk in the Trading Book

8.3.1 Definition

Trading book market risk arises from financial instruments and commodities, held in the trading book, arising out of normal global markets trading activity.

8.3.2 Approach to managing market risk in the trading book

The Market Risk team is independent of trading operations and accountable to the Chief Risk Officer (CRO).

The Board sets the risk appetite for each risk category, typically in terms of earnings at risk (EaR) and also approves the entity level 1 limits, in terms of VaR, SVaR and Stress testing. MLRC sets limits at a lower level, typically level 2 VaR, SVaR and other risk factor limits. Market Risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the Market Risk policy.

Exposures and excesses are monitored and reported daily as per Market Risk policy. Where breaches in limits and triggers occur, actions are taken by Market Risk to move exposures back in line with approved market risk appetite, with such breaches being reported to management and the appropriate governance committees.

8.3.2.1 Model Permissions

The group requires specific permission from the PRA in order to use internal models for the determination of market risk regulatory capital requirements.

The scope of the group's model permission includes the calculation of VaR and SVaR for foreign exchange, commodities, credit trading, equity trading and interest rate risk trading businesses, covering most products in named trading locations. In addition, the group calculates an Incremental Risk Charge (IRC) as part of the model permission to determine the issuer risk regulatory capital of credit trading positions.

8.3.2.2 Model Validation

The models used to determine VaR, SVaR (including the Risks not in VaR and proxy framework) and IRC are subject to review and validation by a Model Validation team, which is independent from both Market Risk and the model developers. This validation includes:

- an evaluation of the theoretical soundness and adequacy of the model for its intended use
- the verification of the calculation methodologies incorporated in the model, and implementation of the model

These models are regularly reviewed to ensure they remain appropriate in the context of variations in the composition of the trading portfolio and changes in market conditions.

All changes to the models are approved at RMAC.

8.3.2.3 Measurement

The key market risk measures used for monitoring and controlling trading book risk include portfolio limit measures on management and regulatory VaR and SVaR. In addition to the portfolio measures are concentration exposure measures associated with the group's key linear risks such as notional and present value sensitivities across the Rates and Credit portfolio, plus the suite of measures used to capture non- linear risk (Delta, Gamma, Vega exposures).

Key control measures that support the exposure and limit framework include stress- testing, back-testing of the VaR model, stop loss reporting at both desk and individual trader levels and specific business unit and product controls.

VaR and SVaR

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

For risk management purposes VaR is based on 251 days of unweighted recent historical data, a holding period of one day and a confidence level of 99%. 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 average of the second and third worse losses selected from the 250 days of daily hypothetical total profit or loss. Daily losses exceeding the VaR are likely to occur, on average, two to three times in every 250 days

SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10-day holding period and a 99% confidence interval.

Where the group 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.

Management are aware of the limitations of the use of historic VaR which include:

- Historic VaR is based on historical correlations and volatilities in market prices and assumes that future prices will follow the observed historical distribution
- The use of one-year 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 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 holding period may be insufficient to liquidate or hedge all positions fully
- The use of a 99% confidence level does not consider losses that might occur beyond these levels of confidence
- VaR is calculated on the basis of exposures outstanding at the close of business and does not necessarily reflect intraday exposures

Incremental Risk Charge

Incremental risk is the estimated loss in value of unsecuritised traded credit positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon. As required by the market risk regulatory capital rules, this measure is calculated at a confidence level of 99.9% over a one-year time horizon. It uses a multi-factor model assuming a constant level of risk.

The model incorporates issuer-specific concentration, credit quality, liquidity horizons and correlation of default and migration risk. The liquidity horizon is determined by an assessment of the length of time it would take to hedge or unwind the exposures in stressed market conditions and is floored at a prescribed regulatory minimum.

Stop-loss triggers

Stop loss triggers are designed to contain losses for individual trading desks by enforcing management intervention at predetermined loss levels.

The group uses stop-loss triggers to protect the profitability of the trading desks, and these are monitored by Market Risk on a daily basis. The triggers constrain cumulative or daily trading losses by acting as a prompt to review or close-out positions.

Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including when 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 Monte Carlo simulations.

Daily losses experienced during the year ended 31 December 2021 did not exceed the maximum tolerable losses as represented by the group's stress scenario limits.

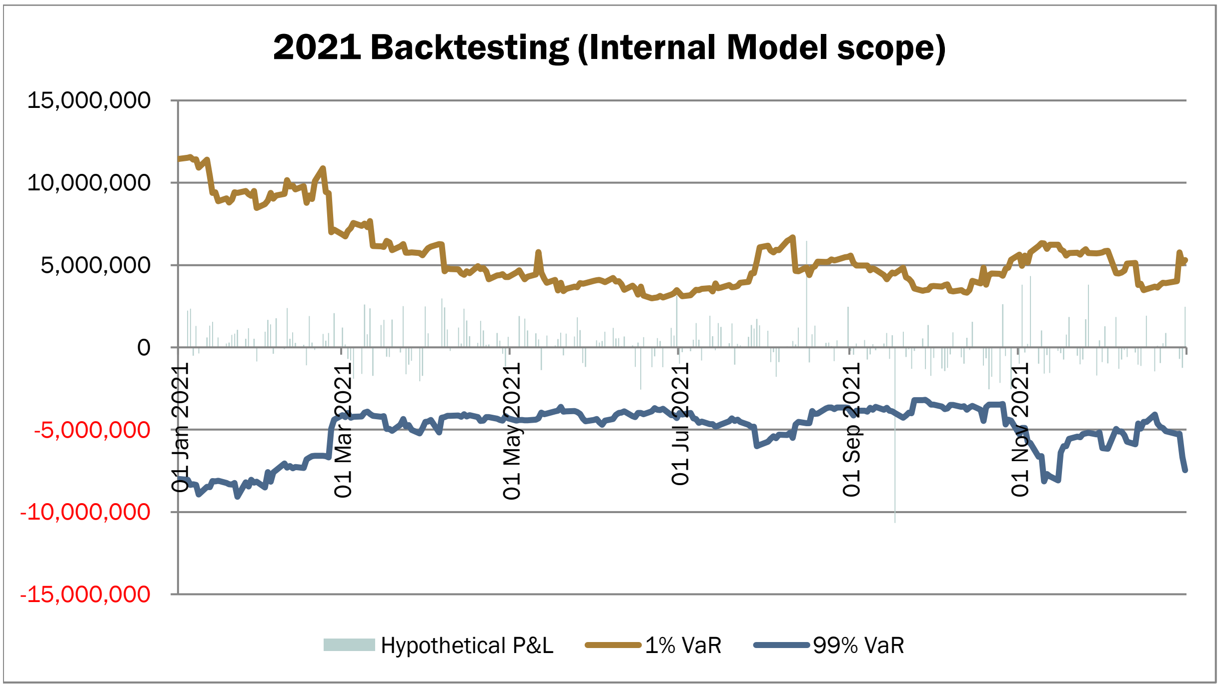
Back testing

The group back tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR. Back testing compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's calculated VaR.

The number of back testing loss exceptions impacts the multiplier set by the regulator for the purposes of the capital requirement calculation for market risk. Five or more loss exceptions would result in an increase in the multiplier.

In 2021, the group experienced one actual and hypothetical loss exception.

The graph below shows the hypothetical Profit and Loss and VaR for the group.



Specific business unit and product controls
Other controls specific to individual business units include permissible instruments, concentration of exposures, price validation and balance sheet substantiation.

8.3.2.4 Scope of Risk Reporting Systems
The group uses internal software (Vespa) to monitor and measure VaR and SVaR.

Market risk reports are produced on a daily basis for internal monitoring and on a monthly basis for RMC and MLRC. Quarterly reports are produced for BRMC. Additional reporting is provided on an ad-hoc basis as requested by either internal or external stakeholders.

Standard reporting into relevant forums covers 99% VaR utilisation, SVaR, back testing, limit breaches, stress testing (macroeconomic and point of weakness scenarios), P&L analysis and regulatory capital charges.

8.3.2.5 Valuation
The group's valuation policy and financial asset classification is governed by IFRS and changes in asset classification is subject to IFRS requirements. Valuations are the responsibility of the risk owners and they are accountable for the timely revaluation of assets and liabilities according to the methodologies and procedures applying to their particular business area.

Accounting and regulatory rules require Fair Value P&L (FVPL) positions to be recorded at fair value on the balance sheet. Fair value standard IFRS9 refers to the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties. The key definition of fair value is the exit price. The best evidence of fair value of financial instruments is quoted prices in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and these prices represent genuine market transactions on an arm's length basis.

All trading book positions are subject to the standards for prudent valuation as per the requirements under CRR. The product control function is accountable for the independent valuation process and is independent of the Front Office. Policies and procedures exist to ensure all valuations are independently verified.

Trading positions are revalued on a daily basis and profits or losses on the revaluation of positions are recognised in the income statement. Traders can either mark a position directly to observable prices in an actively quoted market or indirectly through the use of an independently approved model, where the inputs to the model are observable. Independent price verification acts as a control mechanism to ensure accuracy and validity of prices.

For markets or instruments which exhibit low trading volumes or intermittent trading patterns, it can be difficult to establish if a price reflects a fully active market. If the market for financial investments is not active or has little transparency, the group establishes fair value using valuation techniques. The fair value may be less objective and require varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Pricing assumptions include factors like risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of the financial instruments. Financial instruments measured at fair value are classified according to a fair value hierarchy under IFRS which differentiates assets based on their price observability.

Independent model validation is performed in order to validate and document new internal pricing models and ensures an annual review of existing models to ascertain they are still relevant and behaving within expectations.

Independent Price Verification

Independent price verification is the process by which the prices and model inputs used for valuation purposes are verified against independently sourced data.

The Product Control team within Finance performs daily reviews of liquid price inputs and at least a monthly review of less liquid prices. Where material differences occur mark-to-market adjustments are made. For products where no independent price is obtainable, Product Control tests the inputs to the model, uses suitable approved proxies and/or fully provisions for valuation uncertainty. This process is a key control over the marking of positions and operates to validate both the daily profit and loss and the fair value of trading book assets and liabilities.

Product Control also calculates Additional Valuation Adjustments that would be required to move the fair valued inventory from fair value to prudent valuation.

8.3.2.6 Inclusion in the trading book

The group employs internal policies and strict controls around all activities which are defined as forming part of the “trading book” for regulatory capital purposes. The controls include the determination of whether a position or instrument forms part of the trading or banking book.

When deciding whether a book is trading or banking consideration is given to the underlying nature of and rationale for the trades booked in it. The Finance team is responsible for maintaining the relevant book structure and ensuring that there is clear distinction between banking and trading books.

Transfers between the regulatory trading and banking books are generally prohibited. However, in exceptional circumstances and subject to a clear justification and rationale, transfers may be approved by the ALCO.

8.3.2.7 Risk Mitigation

Where the group considers the level of market risk to be unacceptable based on internal limits, the risk of adverse price movements is usually hedged. Hedges are usually transacted in a risk offsetting position, in a related asset. Typical hedges employed by the group include forwards, swaps, options and future contracts.

Ongoing monitoring of hedges takes place at regular review meetings between Global Markets and the Market Risk function, which considers hedge effectiveness and prevailing market conditions.

8.3.3 Output from the Internal Market Risk Models

Internal market risk models for trading book activities comprise VaR, SVaR and IRC.

8.3.3.1 VaR for the period under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and trading for the group's own account.

The VaR as at 31 December 2021 based on the 1-day 99% confidence level, assuming positions are held overnight and using observation periods of the preceding 250 business days, is shown in the table below.

The risk of loss measured by the VaR model is the potential loss in earnings given the confidence level, time horizon and assumptions noted above. The group internally uses VaR as the primary measure for all trading book positions arising from short term market facing activity.

Table 19: VaR (1 day 99%)

	Maximum ($m)	Minimum ($m)	Average ($m)	Year end ($m)
Commodities	6.9	1.4	2.9	5.7
Foreign Exchange	8.3	1.9	3.6	2.2
Equities	0.0	0.0	0.0	0.0
Interest rate risk (general and specific)	8.0	2.4	3.9	3.2
Diversification benefit*				**(3.5)**
Total (including diversification)	**9.2**	**3.2**	**5.1**	**7.6**

* Diversification benefit is the benefit of measuring the VaR of the portfolio as a whole, i.e. the difference between the sums of the individual VaR and measuring the VaR of the whole trading portfolio.

The group's SVaR (based on a 10-day 99% confidence level) measures are presented on a similar basis to the VaR measures above. These are detailed in the table below, as at 31 December 2021.

Table 20: Stressed VaR (10 days 99%)

	Maximum	Minimum	Average	Year end
	$m	$m	$m	$m
Commodities	17.7	1.9	4.9	6.4
Foreign exchange	30.9	3.9	15.2	5.7
Equities	0.0	0.0	0.0	0.0
Interest rate risk (general and specific)	31.8	9.6	19.6	18.6
Diversification benefit*				**(11.3)**
Total (including diversification)	**38.6**	**14.9**	**23.9**	**19.4**

* Diversification benefit is the benefit of measuring the stressed VaR of the portfolio as a whole, i.e. the difference between the sums of the individual stressed VaR and measuring the stressed VaR of the whole trading portfolio.

The group's IRC over the reporting period is presented below:

Table 21: Incremental Risk Charge

	Maximum	Minimum	Average	Year end
	$m	$m	$m	$m
Total	122.0	57.1	87.0	103.9

The IRC assigns a liquidity horizon of one year across all assets.

8.3.3.3 Market Risk Capital Requirements

The table below shows the breakdown of the group's market risk capital requirements, split by modelled and non-modelled components. The capital requirements for the modelled population account for 97.5% of the total market risk capital charge.

Table 22: Market Risk Capital Requirements at 8% of RWA

Market Risk Capital Requirements @ 8% ($m)	**31-Dec21**
VaR	46.0
Stressed VaR	72.8
Incremental Risk Charge (IRC)	104.0
Risks not captured in modelled VaR (Stress type)	64.3
Capital requirement for modelled population	**287.1**
Standardised Market Risk Capital Requirements	7.3
Total Market Risk Capital requirement	**294.4**

8.4 Market Risk in the Banking Book

The primary market risks within the banking book include interest rate risk, equity risk and foreign exchange risk.

8.4.1 Interest rate risk in the banking book

8.4.1.1 Definition

Interest Rate Risk in the Banking Book (IRRBB) is the current or prospective risk to the group's economic value and earnings arising from adverse movements in interest rates that affect interest rate sensitive instruments in the banking book.

IRRBB is further divided into the following sub-risk types:

- Re-pricing Risk: arising from the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long term positions – in general arising from imperfect matching of interest rate characteristics of assets and the liabilities used to fund the assets
- Yield Curve Risk: arising when unanticipated shifts in the yield curve have adverse effects on the group's income or underlying economic value
- Basis Risk: arising from the impact of relative changes in interest rates on interest rate sensitive instruments that have similar tenors but are priced using different interest rate indices
- Optionality Risk: arising from options where the institution or its customer can alter the level and timing of their cash flows, namely:
  - the risk arising from interest rate sensitive instruments where the holder will almost certainly exercise the option if it is in their financial interest to do so (embedded or explicit automatic options) and

- the risk arising from flexibility embedded implicitly or within the terms of interest rate sensitive instruments, such that changes in interest rates may affect a change in the behaviour of the client (embedded behavioural option risk)

8.4.1.2 Approach to managing IRRBB

The group's Risk team monitors banking book interest rate risk operating under the oversight of MLRC, RMC with input requested from ALCO when required.

IRRBB management by TCM can be achieved by balance sheet management actions (e.g. changing the composition of assets and liabilities) and/or via a hedging programme as instructed by ALCO.

Measurement

In considering IRRBB, the group uses the internal model for Economic Value of Equity (EVE) measure (which is owned by Risk Methodology and Analytics (RMA)) to quantify the potential loss of earnings. The EVE is measured at a confidence interval of 99.9% and is scaled down to a confidence interval of 90% to translate into Earnings at Risk.

The group currently uses the following measures for earnings and economic value, for the purpose of IRRBB:

- Economic Value of Equity: Measures changes in the net present value of the equity to changes in market rates. Considers the adverse impact of a parallel +/- 200bps shock of the interest rate curve and the six other prescribed shock scenarios (Parallel up, Parallel down, Flattener – short rates up and long rates down, Steepener – short rates down long rates up, Short rates up, Short rates down). The EVE model also includes a risk add-on for model limitations. The assumed confidence interval of the EVE model is 99.9%
- Net Interest Income or Earnings: Measures of the change in expected potential future profitability within a given time horizon resulting from interest rate movements. Calculated as the maximum NII volatility at a given confidence level for a one-year timeframe arising from a 200bps shock up/down and the six prescribed shocks as mentioned above. Note that the results of the NII model is only used for risk monitoring purposes

The results obtained assist in evaluating the interest rate risk run by the group. 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. IRRBB limits are set in terms of change in EVE.

Economic Capital and EaR limits

The group utilises the EVE metric to derive the risk appetite and the resultant economic capital charge for IRRBB. This is done by using the worst of the shocks described above, including an add-on for any non-modelled risks.

In addition to the Ecap and EaR Limits, Amber triggers are set to prompt mitigating action should interest rate risk in the banking book increase. Such mitigating actions may include transacting interest rate hedges.

The limits and triggers are reviewed annually as part of the overall RAS review for the group.

Supervisory outlier tests

In addition to monitoring compliance to the IRRBB Ecap and EaR RAS limits, the group monitors its compliance to the supervisory outlier tests using the EVE metric. The two outlier tests are below:

- Test 1: Sudden parallel +/- 200 bps shift of yield curve (plus any add on for non-modelled risks) compared to 20% of the group's own funds. Note that this requirement will be discontinued form 1 January 2022 as it is no longer prescribed in the regulations. Test 2 below would continue to be assessed.
- Test 2: Worst of the six prescribed shock scenarios described above (plus any add on for non-modelled risks) compared to 15% of Tier 1 capital.

Note that the internal RAS limits are set conservatively to have surplus headroom before reaching supervisory outlier test limits.

Limit Breaches and Governance

RMC is responsible for overall oversight of IRRBB RAS compliance, and any escalation and remediation of IRRBB RAS breaches are through RMC.

ALCO is the main governance committee responsible for IRRBB daily management and hedging decisions.

Any regulatory breach requires notification to the PRA by chair of ALCO.

8.4.1.3 Banking book interest rate exposure characteristics

The table below indicates the group's market value sensitivities for the shock scenarios run as at 31 December 2021

Table 23: Market sensitivities to interest rate in the banking book

	Parallel Up	Parallel Down	Short Down	Short Up	Steepener	Flattener	Parallel Up Outlier	Parallel Down Outlier
Underlying Currency ($m)								
USD	20.04	-15.15	-15.11	25.58	-13.54	19.17	20.04	-15.15
EUR	0.37	-0.08	-0.08	0.44	-0.08	0.35	0.37	-0.08
GBP	-2.95	1.99	1.99	-2.93	1.63	-2.17	-2.37	1.99
NGN	0.05	-0.05	-0.07	0.07	-0.04	0.05	0.03	-0.03
Other	0.18	-0.09	-0.09	0.26	-0.12	0.21	0.19	-0.09
Total	**17.69**	**-13.38**	**-13.36**	**23.42**	**-12.15**	**17.61**	**18.26**	**-13.36**

Note: A $15.5m non-modelled risk add on is added to the worst of the outlier test shocks to determine the Ecap requirement. The Ecap requirement for IRRBB as at 31 December 2021 was $28.8m.

8.4.2 Equity Risk in the Banking Book

8.4.2.1 Definition

Equity risk is the risk of loss arising from a decline in the value of any equity instrument held, whether caused by deterioration in the performance, net asset, or enterprise value of the issuing entity, or by a decline in the market price of the instrument itself. For risk governance purposes, equity risk is classified into three sub-categories:

- **Subsidiary Equity Risk** which describes the risk inherent in equity held in any subsidiary, defined as any entity in which any other group entity holds a controlling interest for strategic reasons, to deliver group services to the public, or to support group business operations, and for which there was no foreseen intent for disposal at the time of acquisition or inception
- **Associate Equity Risk** which describes the risk inherent in the equity held by any group entity, in any associate company or joint venture, which was acquired for strategic purposes, or to support or complement group business operations, and for which there was no foreseen intent to dispose of the investment at the time of acquisition
- **Banking Book Equity Risk** covers any equity investment not specifically falling into one of the above two categories

8.4.2.2 Approach to managing equity risk in the banking book

The group may hold equity positions in the banking book for the purpose of long-term investment. Listed and unlisted investments are approved by the Credit Committee, in accordance with the delegated authority limits. Periodic reviews and reassessments are undertaken on the performance of the investment.

All instances of banking book equity risk are notionally regarded as presenting credit risk for management purposes. All origination, rating, approval, exposure monitoring, and annual review of such equity investments will therefore be managed under the general ambit of the Credit Risk Policy.

Equity securities are measured at FVPL and classified as non-trading financial assets at FVPL. Subsequent to initial recognition, the fair values are re-measured and gains and losses arising from changes therein are recognised in non-interest revenue. Fair value is based on available market prices or where no prices are available, appropriate valuation methodologies are applied.

8.4.2.3 Banking book equity portfolio characteristics

Equity investments included in the banking book as at 31 December 2021 consisted entirely of unlisted equities ($5.1m as at 31 December 2021). All of the $5.1m equities were non-trading financial assets designated at FVPL, as disclosed in the Consolidated Annual Report of the group. These include equity investments required for business reasons, such as SWIFT shares and LME shares.

The cumulative net realised gains and losses from the sale or liquidation of equity positions in the banking book in 2021 were negligible.

Additional disclosures on non-trading financial assets at FVPL are included on page 91 (Note 6) of the ICBC Standard Bank Plc Consolidated Annual Report 2021. The statement of changes in shareholders' equity is shown on page 64.

8.4.3 Foreign Currency Risk in the Banking Book

8.4.3.1 Definition

Foreign currency risk in the banking book is the risk that arises 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. This excludes foreign exchange risk that is included and managed in the trading book.

8.4.3.2 Approach to managing foreign currency risk in the banking book

The group's policy is not to hold material open currency exposures in respect of the banking book. 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.

ALCO manages the strategies for the hedging of the group's capital resources where these are denominated in a currency other than USD (non-USD capital resources are immaterial). ExCo manages the hedging of the group's cost base where the costs are incurred in currencies other than USD, with a view to reducing volatility over a one-year horizon in the group's available financial resources and earnings, respectively.

In executing these hedging strategies, ExCo and ALCO considers the cost, effectiveness and the accounting impact of the proposed strategies, as well as the economic rationale. ExCo and ALCO may delegate the execution of transactions within the scope of this hedging mandate, where appropriate.

ALCO also monitors all capital hedges, and ExCo cost hedges which have been executed, and reviews the effectiveness of such hedges in achieving the stated objectives.

9. Operational risk

9.1 Definition

Operational risk is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and/or systems or from external events.

Operational risk event types are in line with the Basel event categories namely:

- **Business Disruption and System Failure** - The risk of losses arising from disruption of business or system failures. This includes disruption or failure arising from the use of, or reliance on, computer hardware, software, electronic devices, online networks and internal telecommunications systems and disruption or failure arising from utilities failure, changes in organisational structure, people and processes
- **Damage to Physical Assets** - The risk of losses arising from loss or damage to physical assets from natural disaster or other events. It includes environmental risk
- **Execution, Delivery and Process Management** - The risk of losses from failed transaction processing or process management, from relations with trade counterparties and vendors. This also includes tax risk and model risk
- **Internal Fraud** - The risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent regulation, the law or company policy, which involves at least one internal party. This also includes financial crime risk
- **External Fraud** - The risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third-party including theft from transport/warehouse, collusion in the form of theft or misappropriation and custodian risk
- **Clients Products and Business Practices** – The risk of losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product. This includes compliance / conduct risks and legal risks
- **Employment Practices and Workplace Safety** – The risk of losses arising from acts inconsistent with employment, health or safety laws or agreements regulation

9.2 Approach to managing operational risk

The group has developed an Operational Risk Management framework intended to keep the firm within appetite. The framework comprises:

- A formal risk appetite for operational risk that includes both financial and non-financial measures
- Common taxonomies including an event / risk taxonomy; a causal taxonomy and an effect / impact taxonomy
- Operational risk incident / near miss and loss data capture, including root cause analysis
- A portfolio of Key Risk and Control Indicators which are tracked against thresholds
- Key control attestations and monitoring
- Risk and Control Self-Assessments to identify and assess the group's inherent and residual risks
- Process mapping
- Scenario analysis, to assess the group's exposure to "*severe but plausible*" events
- Operational risk capital modelling to support Pillar 2A and 2B assessments
- Purchasing insurance to transfer specific operational risks (see below)
- Tracking of remedial actions
- Targeted reviews

- Induction training and awareness training
- Review of external events (the group subscribes to IBM FIRST's Risk Case studies service), in order to learn lessons and to assist with scenario analysis

The Operational Risk Management function is independent from business line management and is part of the second line of defence i.e. it reports directly into the Chief Risk Officer. It is responsible for:

- Developing and maintaining the operational risk governance framework
- Facilitating business' adoption of the framework
- Overseeing and reporting, as well as, monitoring and challenging the management of the operational risk profile
- Identifying emerging threats

Additionally, an independent team, reporting directly to the Head of Operational Risk, has responsibility for second line assurance of the physical commodities business. The function, based in Singapore and Shanghai, manages physical commodities transactions executed within the group. The role of the team is to focus on the risks embedded in each trade, on a pre- and post-trade basis, and to ensure they are understood, tracked, controlled and escalated if appropriate. The team works with approved third parties who play a key role in the provision of related services such as shipbrokers, insurers, warehouse providers and security companies.

Additionally, the Operational Risk Management function oversees operational risks arising from change by both managing the New Product and Structured Transaction Approval processes and also running a framework for assessing operational risks arising from change initiatives.

The group buys insurance to mitigate operational risk. This cover is reviewed on an annual basis.

Ensuring that appropriate insurance cover for specific risks is in place is the responsibility of the relevant business units. The group's Insurance Forum provides independent oversight and challenge.

9.3 Governance committees

The Operational Risk Committee is responsible for monitoring and reviewing exposures to operational risk and for providing focused and corrective oversight of Operational Risk Management across ICBCS, in line with agreed risk appetite.

Key responsibilities of the Operational Risk Committee include:

- Proposing any changes to operational risk appetite and Operational Resilience Impact Tolerances for approval
- Ensuring the Operational Risk and Operational Resilience policies and frameworks are fit for purpose and adequately embedded in the ICBCS legal entity and across international locations
- Promoting a robust control and Operational Risk Management culture via the three lines of defence model, including the review and challenge of any risk acceptances
- Reporting potential breaches of operational risk appetite and Impacts Tolerances for Operational Resilience
- Monitoring key metrics and controls and ensuring the appropriate levels of quality control are applied by support infrastructure
- Reviewing the outputs of assurance reviews, including the testing of Operational Resilience.
- Reviewing the impact of new products and the capacity of the infrastructure to handle them
- Reviewing the effectiveness of the business support areas and infrastructure groups and evaluating the impact of any changes on operational risk
- Reviewing the outputs of scenario analysis, including Operational Resilience, and of operational risk capital modelling
- Ensuring that an effective Business Continuity Planning process is in place for all business units in all locations.

- Reviewing the self-assessment of the Bank's Operational Resilience.

9.3.1 Business Continuity Management Framework

Business Continuity Management (BCM) is a critical part of the group's control environment and enables business units to effectively continue critical business functions following significant disruption. BCM is regarded as having three distinct purposes:

- Protection of the company assets, earning capacity, information, reputation, the brand and value of the organisation
- Reduction in the likelihood and impact of potential business interruption(s) to an acceptable level and to ensure that ICBCS has an appropriate level of operational resilience.
- Compliance with legal and regulatory obligations

The business continuity capability that the group continues to develop is appropriate to the nature, scale and complexity of the organisation and is aligned to external best practice. The group has a Crisis Management Team (CMT) supported by a Crisis Management Plan (CMP) that is chaired by senior management. The primary responsibility of this team is to lead, manage and communicate the overall response to a crisis. The CMT is supplemented by a number of functional specialists, who are experts within specific areas e.g. Disaster Recovery, Human Resources, and Corporate Communications. During any material business interruption, one of the group's key objectives will be to communicate its position with clients and stakeholders in an expedient fashion. Under the direction of the CMT are a number of departmental Business Recovery Teams and associated Business Continuity Plans (BCPs) which are responsible for the recovery of critical business processes, within pre-defined timescales. The group has a number of recovery strategies in place to respond to a business interruption including but not limited to:

- Third party work area recovery
- Remote working
- Reciprocal arrangements with other ICBC and ICBC Standard Bank offices

9.3.2 Scope of Risk Reporting Systems

The Operational Risk function uses an in-house developed Operational Risk Management system for recording:

- Operational risk loss events and near misses
- Key Risk and Control Indicators and the associated thresholds
- Risk and Control Self-Assessments
- Attestations of key controls
- Remedial actions

Operational risk reporting is provided to the Operational Risk Committee and RMC on a monthly basis and to BRMC on a quarterly basis.

All incidents are rated and the escalation within the group reflects these ratings. The Operational Risk function reviews all incidents to validate the appropriateness of the ratings and any resulting remedial actions.

9.4 Regulatory capital approach

The ICBCS Group calculates its Pillar 1 operational risk capital requirement under The Standardised Approach (TSA). This approach is not risk sensitive. In particular, TSA does not adequately reflect either emerging risks or the very remote risks associated with the group's commodities business. Consequently, the group additionally uses an internal model to calculate its operational risk utilising both internal and external loss data, as well as the outputs of scenario analysis, with consideration for the group's business environment and internal control factors. In assessing the appropriateness of its capital, the group also considers the effectiveness of its various insurance policies in mitigating specific operational risks. These insurance policies cover a range of risks, and include goods and cargo insurance for physical commodities; crime; and environmental risks.

9.5 Operational risk sub-types

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

9.5.1 Clients, Products and Business Practices

9.5.1.1 Compliance Risk Management

This is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its business activities. This includes the exposure to new laws as well as changes in interpretations of existing laws by appropriate authorities.

The approach to managing compliance risk is proactive and premised on internationally accepted principles of compliance risk management. A robust risk management reporting and escalation procedure requires business unit and functional area compliance heads to report on the status of compliance risk management in the group.

Employees, including senior management, are made aware of their statutory compliance responsibilities through ongoing training and awareness initiatives.

Conflicts of Interest Policy

The group conducts its business according to the principles that

- it must take all appropriate steps to identify and to prevent or manage conflicts of interest that may arise in the course of the group conducting its business
- it maintains and operates effective organisational and administrative arrangements designed to prevent such conflicts of interest.

The group's conflict of interest policy details the group's control framework that is designed to help staff identify and to prevent or manage conflicts of interest as well as examples of the types of conflicts of interest that could arise within their department/business units.

9.5.1.2 Financial Crime Risk Management

Financial Crime Risk consists of:

- The risk that criminal parties will abuse the products and services of the group
- The risk that regulators/law enforcement authorities will apply civil sanctions, civil penalties and/or criminal penalties against the group for failure to comply with Anti-Money Laundering, Counter Terrorist Financing, Anti-Bribery and Corruption, Tax Evasion, Fraud and Sanctions laws, regulations, codes of conduct and regulatory/industry standards of good practice that are applicable to the group's activities
- The risk that through the markets and/or through media outlets, the good reputation of the group is harmed by unfavourable adverse media or market word-of-mouth, as a result of financial crime risk events, allegations, or the actions of regulators/law enforcement authorities.

Approach to Managing Money Laundering and Terrorist Financing

Legislation pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer due diligence, record keeping, staff training and the obligation to detect, prevent and report suspected money laundering and terrorist financing.

Minimum standards are required to be implemented throughout the group, considering local jurisdictional requirements where these may be more stringent.

Approach to managing Bribery and Corruption Risk
Bribery and corruption risks arise as a result of a failure by the group to prevent persons from performing services for or on its behalf (including staff, business partners and stakeholders) using bribery in order to obtain business or business benefits for the group, or as a result of failing to have effective anti-bribery and corruption procedures in place. The group has implemented a programme of policies, procedures and other controls to combat bribery and corruption risk.

Approach to managing Fraud Risk (Internal and External)
Fraud Risk arises where internal or external parties (or a combination) commit acts intended to defraud, misappropriate property or circumvent anti-fraud laws or internal policies. The group has implemented procurement-related controls, as well as wider financial controls intended to combat fraud.

Approach to managing Sanctions Risk
The group actively manages the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions or with clients that are subject to embargoes or sanctions imposed by competent authorities. The Financial Crime Compliance team is responsible for providing advice on all sanctions-related matters in a fluid sanctions environment.

Approach to managing Tax Evasion Risk
The risk of the criminal facilitation of tax evasion arises when an associated person of the group knowingly and dishonestly assists a person or entity in evading taxes. The group has various policies and procedures in place that mitigate the risk of the criminal facilitation of tax evasion, including the Tax Strategy which prohibits any member of Staff from providing tax advice to clients.

9.5.1.3 Legal Risk Management

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 group otherwise than as intended
- That property rights of any descriptions are or may be infringed; or that liability to others may be incurred

9.5.1.4 Information Risk Management

Information Risk is 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 and which could potentially harm the business. This risk principally concerns electronic information and data, although it also covers hardcopy formats.

9.5.2 Business Disruption & Systems Failure

9.5.2.1 Information Technology Risk Management

Information Technology Risk is the 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 by impacting service availability, performance or function.

9.5.3 Execution, Delivery & Process Management

9.5.3.1 Model Risk Management

Model risk relates to the potential costs (e.g. financial or reputational) of relying on models that are incorrect, imperfect or misused.

Models are recommended by RTF for approval or ongoing use to RMAC.

Credit rating models have been repatriated and the outsourcing agreement has been cancelled. The Bank is reviewing and updating the credit risk model (rating and exposure models) framework and the Model Validation and Risk Methodologies and Analytics teams are being expanded to support this and embed a fit for purpose control framework.

9.5.3.2 Tax Risk Management

Tax risk is the risk of financial or other loss resulting from 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 position taken in a submitted 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 submitted position
- Operational / process errors in the computation of the group's tax assets or liabilities
- Missing claims / elections / deadlines, etc.
- Incorrect financial accounting information being used in the tax return or the calculation of a tax liability

The approach to tax risk is governed by policies dealing with specific aspects of tax risk such as, for example, transfer pricing, indirect taxes, withholding taxes and remuneration taxes.

9.5.4 Damage to Physical Assets

9.5.4.1 Environmental Risk Management

Environmental risk is the risk of financial loss suffered due to environmental damage resulting directly from the group's activities, products and services. Environmental risk is primarily relevant in relation to the group's Energy business.

9.5.5 Causal Factors

9.5.5.1 Change Risk Management

Change risk is defined as a risk that emerges through changes, updates or alterations made to operational processes across the group due to changes in people, process or technology. 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 operational risk.

Significant change is approved through the Investment and Change Committee which has representation from across business areas. Once approved, projects have dedicated steering committees and project managers which ensure appropriate testing and due diligence has been performed before go-live. Post implementation reviews are performed to assess whether there were any lessons to be learnt for future initiatives.

Approach to Managing Regulatory Change

The group operates in a highly regulated industry across multiple jurisdictions and is increasingly subject to international legislation with extra-territorial reach.

The group aims to embed regulatory best practice in its operations in a way that balances the interests of various stakeholders, while supporting the long-term stability and growth in the markets where ICBCS has a presence.

The group regularly assesses the impact that emerging policy and regulation will have on the business. The approach adopted is to engage with government policymakers, legislators and regulators in a constructive manner.

10. Climate Risk

10.1 Definition

Climate risk is considered by the group to be a subset of the broader category of environmental risk, and is also managed as a cross-cutting (transverse) risk that manifests through or impacts on, other risk types i.e. credit, market and operational risk as well as the financial system as a whole.

Environmental risk consists of both environment-related risks and climate-related risks.

Environment-related risks refer to risks (credit, market, operational etc) posed by the exposure of the group or financial sector to activities that may potentially cause or be affected by environmental degradation. This may include:

- Air or water pollution
- Water scarcity
- Reduced biodiversity
- Land contamination and land use change
- Deforestation and desertification

Climate-related risks refer to risks (credit, market, operational etc) posed by the exposure of the Bank or financial sector to physical and transition risks caused by or related to climate change.

Physical risks can be either

- Acute risks arising from climate and weather-related events such as hurricanes, floods, wildfires and droughts;
- Chronic risks arising from longer term shifts in climate and weather patterns such as rising mean temperatures, rising sea levels and ocean acidification

Transition risks relate to financial risks which may result from the process of adjustment to a lower-carbon and more circular economy. A range of factors could influence this adjustment including:

- Policy and regulation
- Disruptive technology and business models
- Shifting societal sentiment
- Legal case law

10.2 Approach to managing climate risk

Whilst the identification and management of climate risk remains in its early stages, the group has made progress in embedding the PRA's expectations under SS3/19 as far as possible throughout the organisation by the end of 2021. The group's approach to embedding climate risk is to do so on a proportionate basis that reflects the group's scale, complexity and business model. The group has also considered the Monetary Authority of Singapore guidelines on environmental risk management alongside the PRA's climate risk expectations.

The group engaged PWC during the year to provide recommendations on how to embed climate-related considerations into the group's enterprise-wide risk management framework. These recommendations were compiled following stakeholder interviews, workshops and documentation reviews with the report presented to BRMC in July 2021 which formed the basis of work during H2 2021.

During the course of 2021, the group has completed / implemented the following:

- Produced a position paper for the Board which included the approach to managing climate (and environmental) risk, high level strategy and prohibited activities
- Provided regular climate-related progress updates to BRMC and ExCo
- Updated relevant principal risk policies and committee mandates with climate-related (and environmental) considerations and responsibilities
- Training for all credit managers on climate-related (and ESG) considerations as part of credit analysis
- Enhanced the New Products and Significant Transactions Approval process to explicitly consider climate-related (and environmental) risks from a first- and second-line perspective
- Implemented an updated supplier risk methodology which includes an assessment of climate-related (and environmental) risks at the on-boarding stage
- Conducted a climate-related stress test which assumes an accelerated and unexpected carbon pricing is introduced by the US, UK and EU as well as key Asian economies such as China and Japan. This scenario is based on the Bank of England's 2021 climate biennial exploratory transition scenarios, and was designed with assistance from Oxford Economics. The scenario focuses on an instantaneous shock leading to a re-pricing of assets based off imperfect information. A shorter time horizon was chosen for the relevance to the generally short dated nature of the group's balance sheet. This scenario is being run monthly by credit and market risk
- Conducted physical hazard modelling for 50 locations utilising data provided by Jupiter Intelligence, a leading physical climate analytics provider. The hazards that the data covers are floods, wind, heat, drought, thunderstorm, wildfire and precipitation. The modelling covered different types of locations such as warehouses, ports, mines etc and provided a forward-looking view to identify risky hazards and locations. The data covers the Intergovernmental Panel for Climate Change ("IPCC") scenarios (SSP1-RCP2.6, SSP2-RCP4.5, SSP5- RCP8.5) and is provided in five year increments out to 2100. The group will seek to build on this work as part of the climate risk management approach and expand the coverage of locations
- Included climate-related scenarios in the annual reverse stress testing programme

Additionally, the group has commenced the following with the aim of implementing / completing during 2022:

- A scoring framework that will overlay climate-related (and environmental) considerations into the credit and sovereign analysis and rating process
- An ESG bond framework to ensure that any bond transaction where the group is to act as a bookrunner and has ESG characteristics is subject to a consistent level of due diligence prior to being presented for approval at the Transaction Acceptance Committee
- Expansion of the responsible sourcing framework to include base metals and energy
- Enhancing PCRA scorecards and inspection checklists
- Considering climate change in liquidity stress testing
- Considering climate change in relevant operational risk scenario modelling
- Enhancing the client on-boarding process to include climate-related (and ESG) considerations
- Embedding climate change considerations in the RCSA
- Drafting an environmental risk policy
- Designing climate-related MI for Board consideration
- Defining climate-related risk appetite
- Enhancing scenario analysis capabilities by building on the pilot exercise conducted at the end of 2020
- A training plan for targeted areas and the group as a whole

10.3 Governance Committees

Climate risk presents both risks and opportunities for the group. With an emerging markets and commodities focused business and with global momentum behind a transition to a low-carbon economy, the group will seek to adapt its strategy and decision making to avoid the risk of stranded assets and the crystallisation of other climate-related financial and non-financial risk. Decision making will also endeavour to recognise the need for change in many of the jurisdictions in which the group operates.

Given the treatment of climate risk as a cross-cutting risk, the monitoring of this risk will be through the existing governance framework, with regular updates given to Board level committees, as the group's approach to managing climate risk evolves. The CRO is the SMF responsible for climate risk.

A climate risk working group oversees progress towards meeting the PRA's expectations under SS3/19. The working group includes members from Risk, Global Markets, Finance and Compliance with a direct reporting line to RMC.

11. Leverage

The leverage ratio was introduced as a non-risk-based capital requirement to complement the other risk-based capital requirements. The ratio is generally based on the accounting value as the relevant exposure measure for assets. Specific regulatory exposure measures which apply to derivatives and securities financing transactions and off-balance sheet exposures must be added to determine the total leverage exposure.

The amended Article 429 of the UK CRR specifies the methodology that banks are required to adopt for calculating the leverage ratio. The publication of the ratio is mandatory under the UK CRR disclosure requirements.

The leverage ratio is defined as the Tier 1 capital divided by the exposure measure, i.e. balance sheet and off-balance-sheet assets after certain restatements of derivatives and securities financing transactions. The PRA currently applies a binding Tier 1 leverage ratio of 3.25% (with a minimum of 75% of the capital consisting of CET1) to banks with retail deposits of £50bn or more. ICBCS was therefore not in scope of a binding leverage ratio as at 31 December 2021.

At 31 December 2021, ICBCS's leverage ratio stood at 5.09%.

The template in Annex D shows the breakdown of the leverage ratio exposure for ICBCS.

A breakdown of the on-balance sheet exposures used in the leverage ratio calculation and the reconciliation of the accounting balance sheet to the leverage ratio exposure measure are also shown in the Appendix.

11.1 Factors that had an impact on the leverage ratio during 2021

The leverage ratio increased from 4.90% to 5.09% over the course of 2021. Tier 1 capital rose at a higher relative rate than leverage exposure, primarily driven by group profits recognised in 2021. Leverage exposure increased due to an increase in the Bank of England liquidity reserve and corporate lending, partially offset by a reduction in securities financing transactions (SFTs).

11.2 Approaches to managing the risk of excessive leverage

The ICBCS Group aims to ensure that the leverage ratio always remains above the prescribed regulatory minimum, by actively monitoring and managing the quantity of capital and exposures within the firm. The ICBCS leverage ratio is monitored by the ALCO on a monthly basis and is part of the Capital EWI framework.

12. Asset Encumbrance

As an integral aspect of its business, the group engages in activities that result in certain assets being encumbered.

An asset is defined as encumbered if it has been pledged as collateral against an existing liability or used to secure, collateralise or credit enhance a transaction, which impacts its transferability and free use, and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce funding requirements.

The main activity relates to the pledging of assets for repurchase agreements and securities and commodities lending agreements. The group also receives collateral in certain transactions - credit risk mitigation is explained in section 6 above.

The data provided in the tables below is derived using median values of quarterly data over the previous four quarters to the reporting reference date (31 December 2021), as required under the PRA guidelines on disclosure for encumbered assets. Asset encumbrance was not considered material for ICBCS over the course of 2021. The table below shows the level of assets on the ICBCS balance sheet that were encumbered and unencumbered.

Table 24: Median Asset Encumbrance Over 2021

Median over 2021	Carrying amount of encumbered assets ($m)		Fair value of encumbered assets ($m)		Carrying amount of unencumbered assets ($m)		Fair value of unencumbered assets ($m)	
		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)
Total Assets of ICBC Standard Bank Plc	**2,152.9**				**25,336.0**	**1,342.9**		
Of which: Equity instruments	0.0	-			5.0	-		
Of which: Debt securities	52.2		52.2		3,270.5	1,342.9	3,270.5	1,342.9
of which: covered bonds	0.0	-	-	-	-	-	-	-
of which: asset-backed securities	0.0	-	-	-	-	-	-	-
of which: issued by central governments	0.0		-	-	2,329.7	749.4	2,329.7	749.4
of which: issued by financial corporations	52.2		52.2		935.8	593.5	935.8	593.5
of which: issued by non-financial corporations	0.0	-	-	-	5.1	-	5.1	-
Of which: Other assets	0.0	-			12,445.5	-		

*Extremely high-quality liquid assets (EHQLA) and high-quality liquid assets (HQLA) are assets which are typically liquid in markets during a time of stress

The “Other assets” category above includes commodity assets, as well as assets not available for encumbrance in the normal course of business (e.g. intangible assets, including goodwill, deferred tax assets, property, plant and other fixed assets, derivative assets, reverse repo and stock borrowing receivables). The remaining assets relate to cash placings which are not shown in the table.

The median level of collateral received by ICBCS in 2021 is shown in the table below, broken down by the collateral that is encumbered and the collateral that is available for encumbrance but not encumbered. The other collateral category shown in the table includes commodities received as collateral, as part of the normal business activities. The residual value of collateral received relates to cash receipts, which are not shown separately.

Table 25: Median Collateral Received Over 2021

Median over 2021	Fair value of encumbered collateral received or own debt securities issued ($m)		Fair value of collateral received or own debt securities issued available for encumbrance but not encumbered ($m)	
		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)
Total collateral received by ICBC Standard Bank Plc	**1,927.9**	**1,577.9**	**3,197.6**	**231.4**
Of which: Loans on demands	-	-	-	-
Of which: Equity instruments	-	-	489.3	-
Of which: Debt securities	1,987.7	1,577.9	2,214.0	231.4
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by central governments	1,770.0	1,577.9	1,687.8	231.4
of which: issued by financial corporations	217.7	-	251.6	-
of which: issued by non-financial corporations	-	-	274.6	-
Of which: Loans and advances other than loans on demand	-	-	-	-
Of which: Other collateral received	-	-	476.9	-
Own debt securities issued other than own covered bonds or asset-backed securities	-	-	-	-
Own covered bonds and asset-backed securities issued and not yet pledged			-	-
Total assets, collateral received and own debt securities issued**	**4,080.8**	**1,577.9**		

**Sum of total assets on table 24 and total collateral on table 25

The table below shows the sources of encumbrance, by breaking down the median level of liabilities and lending of securities that resulted in encumbrance, and the assets encumbered. The table shows that $3,933.0m of assets were encumbered in respect of $5,728.1m of selected liabilities.

Table 26: Encumbered assets/collateral received by ICBC Standard Bank Plc and associated liabilities

Median over 2021	Matching liabilities, contingent liabilities or securities lent ($m)	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered ($m)
Carrying amount of selected financial liabilities	5,728.1	3,933.0
Other sources of encumbrance	-	-
Total sources of encumbrance	**5,728.1**	**3,933.0**

12.1 *Asset* encumbrance as at 31 December 2021

As at year end 31 December 2021, $2,714.3m of ICBCS assets were encumbered (including reverse repurchase agreements and margin or collateral posted with counterparties), which primarily related to the firm's derivative and secured financing activities. This is shown in the table below.

Table 27: Asset Encumbrance as at 31 Dec 2021

As at Dec 2021	Carrying amount of encumbered assets ($m)		Fair value of encumbered assets ($m)		Carrying amount of unencumbered assets ($m)		Fair value of unencumbered assets ($m)	
		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)
Total Assets of ICBC Standard Bank Plc	**2,714.3**				**23,554.2**	**920.4**		
Of which: Equity instruments					5.0		5.0	
Of which: Debt securities	106.1		106.1		2,838.6	920.4	2,838.6	920.4
of which: covered bonds								
of which: asset-backed securities								
of which: issued by central governments	53.9		53.9		1,839.0		1,839.0	
of which: issued by financial corporations	52.2		52.2		958.4	920.4	958.4	920.4
of which: issued by non-financial corporations					1.4		1.4	
Of which: Loans and advances other than loans on demand	754.6				7,786.4			
Of which: Other assets					8,655.4			
Of which: Cash placings	1,853.7				4,268.7			

The total collateral received which was available for encumbrance is shown in the table below, split by assets that were encumbered and those that remain available for encumbrance.

Of the $3,137.8m of debt and equity instruments received as collateral that were available for encumbrance, $660.3m of securities was pledged onwards. This is shown in the table below.

76Table 28: Collateral received by ICBC Standard Bank Plc as at 31 Dec 2021

As at 31 Dec 2021	Fair value of encumbered collateral received or own debt securities issued ($m)		Fair value of collateral received or own debt securities issued available for encumbrance but not encumbered ($m)	
		of which notionally eligible EHQLA and HQLA ($m)		of which notionally eligible EHQLA and HQLA ($m)
Total collateral received by ICBC Standard Bank Plc	**660.3**		**2,930.2**	**317.2**
Of which: Loans on demands	-		-	
Of which: Equity instruments	-		214.4	
Of which: Debt securities	660.3	-	2,263.1	317.2
of which: covered bonds	-		-	
of which: asset-backed securities	-		0.0	
of which: issued by central governments	388.3		1,859.8	317.2
of which: issued by financial corporations	251.6	-	224.4	-
of which: issued by non-financial corporations	20.3		178.9	
Of which: Loans and advances other than loans on demand	-		-	
Of which: Other collateral received	-		452.6	
Own debt securities issued other than own covered bonds or asset-backed securities	-		-	
Own covered bonds and asset-backed securities issued and not yet pledged			-	
Total assets, collateral received and own debt securities issued**	**3,374.6**			

**Sum of total assets on table 28 and total collateral on table 29

The asset encumbrance ratio as at year-end 31 December 2021 was 11.30% as shown below.

Table 29: Asset Encumbrance Ratio

Encumbered Assets and Collateral	**31-Dec-21**
Encumbered Assets	2,714.3
Encumbered Collateral Received	660.3
Total Encumbered Assets and Collateral (A)	**3,374.6**
Total Assets and Collateral	
Total Assets of ICBCS (Encumbered and Unencumbered)	26,268.5
Total Collateral Received by ICBCS (Encumbered & Available for Encumbrance)	3,590.4
Total Assets and Collateral Received (B)	**29,858.9**
Asset Encumbrance Ratio (A/B)	**11.30%**

Additional disclosures on encumbered financial assets are included on page 162 (note 38) of the ICBC Standard Bank Plc Consolidated Annual Report 2021.

13. Remuneration

These disclosures contain remuneration awards made by ICBCS Group for the 56 (including non-executives and leavers) employees deemed Material Risk Takers (MRTs) in respect of the 2021 performance year and provide a summary of the group's decision-making policies.

13.1 Material Risk Takers

Identification of MRTs is based on the definition provided under the EBA's regulatory technical standards (RTS) of 18 June 2020 in addition to the EU Regulation No 604/2014, and is a combination of qualitative and quantitative criteria.

- Qualitative criteria are role-based for employees who are assessed as having a material impact on the firm's risk profile
- Quantitative criteria include:
    - Staff member awarded total remuneration equal to or greater than €750,000 in the preceding financial year.
    - Where firm has over 1,000 members of staff, the staff member is within the top 0.3% of staff with highest total remuneration in or for the preceding financial year (noting as at 31 December 2021 ICBCS did not meet this headcount threshold and hence this criteria did not apply)
    - the staff member's remuneration is equal to or greater than €500,000 and equal to or greater than the average remuneration awarded to the members of the institution's management body and senior management
- The staff member should perform a professional activity within a material business unit and the activity is of a kind that has a significant impact on the relevant business unit's risk profile.

Roles classified as MRTs include:

- Senior leadership (including Supervision, Management and Governance)
- Members of committees managing risk
- Individuals with management responsibility reporting directly to the head of a "material" business unit or to the respective heads of Risk, Compliance and Internal Audit
- Other designated roles

13.2 Remuneration Philosophy

The group's remuneration philosophy adopts the principle that an individual's compensation should be determined after considering a number of factors. These include individual performance (comprising financial and non-financial measures), the overall performance of the employee's business unit and the overall performance of ICBCS Group.

The remuneration policy is designed to be both competitive and compliant with regulatory requirements and ensure that an assessment of risk is a key element of the policy and process. The compensation structure as a whole is designed to deliver a globally consistent compensation structure reflective of local market pay and the role and experience of the individual. It is also designed to have transparency for the individual and is linkage to business, team and individual performance.

A strategic focus of the remuneration philosophy is to implement designs and practices that only reward value delivered on a pay for performance basis within the context of control management and sustainability, adjusted appropriately for risk assumed. Additionally, it should offer competitive remuneration in the global marketplace for skills and seek to reward all its employees 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. A final vital component of the remuneration strategy is that scheme designs and performance evaluation processes must recognise strong and sustained performance within teams whilst being forward looking to motivate for business plan delivery.

13.3 Reward Framework

The reward framework comprises the following key elements:

- Base salary
- Employee benefits
- Annual discretionary incentive (including both cash and deferred elements)

These three elements are managed together to ensure that total reward is appropriate and aligned with the group's business objectives, strategy and risk appetite.

Base salaries are set by reference to market rates and reviewed, although not necessarily changed, annually. Increases are typically to ensure appropriate pay positioning relative to the market range and remuneration of others doing the same or similar role.

Benefits are designed to be market competitive and assist employees in making appropriate health and lifestyle decisions and in managing personal risk. It is important that these elements of "fixed" pay are market competitive to attract and retain employees in the long-term interests of the business.

Annual discretionary incentive awards (both cash and deferred) are based on an individual's performance and contribution - both what is delivered and how it is delivered. Discretionary incentives are awarded for delivering against agreed objectives (both financial and non-financial), and recognising when employees go above and beyond the call of duty in terms of efforts and/or results. Awards whilst primarily recognising past performance should also be forward looking and motivate for business plan delivery and retention. Discretionary incentive awards are based on the performance of the group, business unit, team and individual.

Funding for discretionary incentives awards is determined annually following consideration of risk-adjusted results. The group does not operate any desk based or business unit formulae-based compensation plans and all discretionary incentives are funded from centrally determined (following consideration of risk-adjustment) pools for each of the business units and supporting functions.

A proportion of discretionary incentive compensation is deferred over a three, four, five or seven-year period either as cash or via awards under the ICBCS Quanto Plan. The objective of the deferral is to ensure that employees have a proportion of their compensation "at risk" for an extended period (and also enables ICBCS to comply with regulatory requirements including deferral, malus and clawback). Additionally, it reinforces the alignment of interests between employees and shareholders as a consequence of the linkage to the share price of ICBC (as listed on the Hong Kong Exchange) – the value of units in the ICBCS Quanto Plan moves in step with the ICBC share price performance, ensuring that the value of the deferral is linked to overall performance of ICBC.

The combination of inputs to the individuals' performance assessment, the subsequent compensation award decision and the extended deferral programme all seek to generate risk behaviours that are aligned with the group's values, firm-wide risk appetite and focused on managing risk over a multi-year period. This provides clear linkage and transparency for the individual between the ICBC share price performance, the impact of business units, and ultimately the value of the individual's deferred compensation.

13.4 Remuneration Committee

The committee is comprised of Non-Executive Directors and the members of the committee during 2021 were as follows:

Table 30: Directors of ICBC Standard Bank Plc at 31 December 2021

Mr G Jones	Member throughout 2021
Ms J Eden	Member throughout 2021
Mr R Han	Member throughout 2021
Mr B Kruger	Ceased to be a member on 12 May 2021
Mr A Simmonds	Member throughout 2021
Mr L Wang	Ceased to be a member on 10 September 2021
Mr L Li	Appointed as a member on 10 September 2021
Mr K Fihla	Appointed as a member on 13 May 2021

During 2021, the Committee met five times and considered the following principal matters:

- Remuneration philosophy including fixed pay ratios and strategic performance goals (balanced scorecard, weightings and metrics)
- Approval of senior executive appointments
- Determination of bonus pools based on group performance within the context of control management and sustainability, adjusted appropriately for risk assumed
- Bonus and salary awards for key executives
- Review of the group's policies in relation to performance and risk adjustment at both an overall pool and individual level
- Approval of remuneration and terms of service that fall within the Committee's terms of reference
- Review of the approach to external remuneration market data, covering a review of methodology including peer group analysis and market positioning

With effect from FY2018 ICBCS became a "Proportionality Level 2 Firm" for the purposes of the Remuneration part of the PRA Rulebook and SYSC 19D of the FCA Handbook. Mercer Kepler are the appointed independent remuneration consultants to the Remuneration Committee.

Additional disclosures on remuneration are included on pages 47-48 and 122 of the ICBC Standard Bank Plc Consolidated Annual Report 2021.

13.5 Remuneration Policy Governance

The governance of remuneration policy including policies, structures and practices is delegated to the ICBCS Remuneration Committee (RemCo). There are no sub-committees of the RemCo.

RemCo includes representatives from Board Audit and Risk Management Committees who bring their relevant experience to the process. RemCo is comprised of executives who have experience in evaluating risk and the requirements of the group to operate commercially and sustainably in a competitive environment. Members of RemCo attend the ICBCS Board meetings where the results of the Risk Committee are summarised and shared with the Board. This communication plus the membership of the committees ensures that ICBCS's RemCo can arrive at a decision on the discretionary incentive pool after full consideration of the risk profile of the group.

13.6 Remuneration Strategy

As a means of developing the group's human capital, RemCo annually reviews its 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 ICBCS 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 ICBCS 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 ICBCS 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 ICBCS 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 pay for performance remuneration practices and underpins strong differentiation in individual pay
- A portion of annual discretionary incentive, above a certain threshold, is deferred. In the case of awards over a certain (possibly higher) threshold, deferral will be into a vehicle with multi-year vesting and malus (forfeiture) provisions. Clawback also applies to awards where required under the FCA/PRA regulations
- 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 competitively against the local market for both fixed and variable compensation, but also needs to ensure positioning against local markets 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.

13.7 Analysis of 2021 Remuneration

The table below shows the analysis of remuneration paid and awarded to MRTs, split between the fixed and variable amounts.

Table 31: Remuneration to MRTs

	Performance Year 2021					Performance Year 2020				
	Senior Management	**FIC**	**Commodities**	**Other**	**Total**	**Senior Management**	**FIC**	**Commodities**	**Other**	**Total**
Number of MRTs	14	10	4	28	**56**	15	5	6	28	**54**
Base Salary ($m)	5.8	5.5	2.4	7.5	**21.2**	9.0	2.9	3.4	7.4	**22.7**
Variable compensation ($m)	4.3	8.4	3.2	5.8	**21.7**	7.9	4.2	3.2	4.0	**19.3**
Of which: Cash ($m)	2.2	3.7	1.5	3.0	**10.5**	4.2	2.0	1.5	2.2	**9.9**
Deferred Cash ($m)	1.0	2.3	0.9	1.4	**5.6**	1.8	1.1	0.9	0.9	**4.7**
Deferred Shares ($m)	1.0	2.3	0.9	1.4	**5.6**	1.8	1.1	0.9	0.9	**4.7**

Note: Base salary includes fees for Non-Executive Directors where appropriate.

13.7.1 Outstanding Deferred Remuneration

The analysis of the deferred remuneration for MRTs is shown below (amount shown in $m).

Table 32: Deferred Remuneration to MRTs

	Performance Year 2021					Performance Year 2020				
Category of Deferred Remuneration ($m)	**Senior Management**	**FIC**	**Commodities**	**Other**	**Total**	**Senior Management**	**FIC**	**Commodities**	**Other**	**Total**
Unvested from prior year*	4.7	9.8	4.2	5.4	**24.1**	6.8	5.0	3.4	3.5	**18.7**
Awarded during the financial year	2.0	4.8	1.7	2.8	**11.3**	3.7	2.2	1.7	1.8	**9.4**
Paid out	1.5	3.9	1.4	2.2	**9.0**	2.7	2.2	1.1	1.3	**7.3**
Unvested at year end	5.2	10.6	4.5	6.1	**26.4**	7.9	4.9	4.0	4.0	**20.8**

* Includes unvested historic awards for individuals that were classified as MRT in FY2021 but not in FY2020

Notes:

There may be a disconnect between the closing position on the FY2020 table and the opening position of the FY2021 table caused by:
- the inclusion of unvested historic awards for individuals that were classified as MRT in 2021 but were not identified as MRT in 2020
- change of MRT status in FY2021 relative to the prior year
- leavers who were not granted "good leaver" status and therefore forfeited their awards

13.7.2 Remuneration by band

The UK CRR requires the disclosure of the total remuneration over EUR 1m paid to MRTs by band (in EUR). Of the 56 MRTs, 13 MRTs received total remuneration of over EUR 1m. The breakdown is shown below.

Table 33: Remuneration Bands

	No. of Employees	
Remuneration > €1m	**2021**	**2020**
EUR 1m -1.5m	9	7
EUR 1.5m -2m	3	3
EUR 2m -2.5m	1	0
EUR 2.5m -3m	0	0
EUR 3m -3.5m	0	0
EUR 3.5m -4m	0	0
EUR >4m	0	0
Total	**13**	**10**

13.7.3 Sign on and severance payments

There was 1 severance payment made to an MRT in the performance year 2021 which totalled $0.12m. There were no sign-on payments or guaranteed incentives made to MRTs in the performance year 2021.

Annex A: Main Features of Capital Instruments

Disclosure According to Article 3 in Commission Implementing Regulation (EU) No 1423/2013

Issuer	ICBC Standard Bank Plc	ICBC Standard Bank Plc	ICBC Standard Bank Plc	ICBC Standard Bank Plc
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Unlisted	Bloomberg ID: AN7413650	Bloomberg ID: BBG00PNR07D9	Bloomberg ID: BBG00R45GWG9
Governing law(s) of the instrument	English Law	English Law	English Law	English Law
Transitional CRR rules	Common equity Tier 1	Tier 2	Tier 2	Additional Tier 1
Post-transitional CRR rules	Common equity Tier 1	Tier 2	Tier 2	Additional Tier 1
Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo and (Sub) Consolidated	Solo and (Sub) Consolidated	Solo and (Sub) Consolidated	Solo and (Sub) Consolidated
Instrument type	Common equity Tier 1 as published in Regulation (EU) No 575/2013 Article 26 (3)	Tier 2 as published in Regulation (EU) No 575/2013 -Article 63	Tier 2 as published in Regulation (EU) No 575/2013 - Article 63	Additional Tier 1 as published in Regulation (EU) No 575/2013 -Article 52
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$1,083.5m	$150m	$100m	$160m
Nominal amount of instrument	$1	$150m	$100m	$160m
Issue price	Ongoing Issuances	100% of Nominal Amount	100% of Nominal Amount	100% of Nominal Amount
Redemption price	N/A	100% of Nominal Amount	100% of Nominal Amount	100% of Nominal Amount
Accounting classification	Equity attributable to ordinary shareholders	Liability - Amortised cost	Liability - Amortised cost	Equity attributable to ordinary shareholders
Original date of issuance	Ongoing Issuances	15th June 2017	31st July 2019	27th December 2019
Perpetual or dated	N/A	Dated	Dated	Perpetual
Original maturity date	N/A	15th June 2027	31st July 2029	No maturity
Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	N/A	5-year call and Redemption at par based on capital disqualification event	5-year call and Redemption at par based on capital disqualification event	5-year call and Redemption at par based on capital or tax disqualification event
Subsequent call dates, if applicable	N/A	N/A	N/A	27th December 2024 and any time thereafter
Fixed or floating dividend/coupon	N/A	Floating	Floating	Fixed to Floating
Coupon rate and any related index	N/A	3 Month USD LIBOR + 3.67%, per annum, paid quarterly	3 Month USD LIBOR + 2.75% per annum, paid quarterly	7.617% until 27 December 2024. Resets to 3 Month USD LIBOR + 4.36% if not called. Paid annually.
Existence of a dividend stopper	N/A	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory	Mandatory	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory	Mandatory	Fully discretionary
Existence of step up or other incentive to redeem	N/A	No	No	No
Non-cumulative or cumulative	N/A	Cumulative	Cumulative	Non-cumulative
Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A

If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down features	N/A	No	No	Yes
If write-down, write-down trigger (s)	N/A	Yes	Yes	Yes
If write-down, full or partial	N/A	N/A	N/A	Group or Solo Consolidated Group CET1 is less than 7%
If write-down, permanent or temporary	N/A	N/A	N/A	Full
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	Permanent
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A
Non-compliant transitioned features	N/A	Pari passu with claims of all subordinated creditors, subordinated to senior creditors and senior to Ordinary shares and junior subordinated creditors	Pari passu with claims of all subordinated creditors, subordinated to senior creditors and senior to Ordinary shares and junior subordinated creditors	Subordinate to Tier 2 Instruments
If yes, specify non-compliant features	N/A	No	No	No

Annex B: Own funds Disclosure Template

Transitional Own Funds Disclosure Template

	As at 31 December 2021	Amount ($m)	CRR Prescribed Residual Amount
	Common Equity Tier 1 capital: Instruments and Reserves		
1	Capital instruments and the related share premium accounts	1,083.5	
	of which: ordinary share capital and related share premium accounts	1,083.5	
2	Retained earnings	33.5	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(5.6)	
3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
	Public sector capital injections grandfathered until 1 January 2019	-	
5	Minority Interests (amount allowed in consolidated CET1)	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	98.6	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	1,210.0	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	
7	Additional value adjustments (negative amount)	(31.6)	
8	Intangible assets (net of related tax liability) (negative amount)	(33.0)	-
9	Empty Set in the EU	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		-
11	Fair value reserves related to gains or losses on cash flow hedges	5.1	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1.8)	-
15	Defined-benefit pension fund assets (negative amount)	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20	Empty Set in the EU	-	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(1.2)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
20c	of which: securitisation positions (negative amount)	-	
20d	of which: free deliveries (negative amount)	(1.2)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 15% threshold (negative amount)	-	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-
24	Empty Set in the EU	-	
25	of which: deferred tax assets arising from temporary differences	-	-
25a	Losses for the current financial year (negative amount)		-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-
	Adjustment under IFRS 9 transitional arrangements	0.9	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	
	Of which: filter for unrealised gains on equity instruments	-	

26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	(61.6)	
29	**Common Equity Tier 1 (CET1) capital**	1,148.4	
	Additional Tier 1 (AT1) capital: instruments	-	
30	Capital instruments and the related share premium accounts	160.0	
31	of which: classified as equity under applicable accounting standards	160.0	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	
	Public sector capital injections grandfathered until 1 January 2019	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**160.0**	
	Additional Tier 1 (AT1) capital: regulatory adjustments	-	
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	-	-
38	Direct, Indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-	-
	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	
	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	
	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	
	Of which: direct holdings of non-significant investments in the Tier 2 capital of other financial sector entities	-	
	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre CRR	-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**160.0**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,308.4**	
	Tier 2 (T2) capital: instruments and provisions	-	
46	Capital instruments and the related share premium accounts	250.0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	
	Public sector capital injections grandfathered until 1 January 2019	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
		-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**250.0**	

	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
	Of which new holdings not subject to transitional arrangements	-	-
	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	
	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	
	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	
	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**250.0**	
59	**Total capital (TC = T1 + T2)**	**1,558.4**	
	Risk weighted assets		
	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	-	
60	**Total risk weighted assets**	**8,526.3**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.47%	
62	Tier 1 (as a percentage of risk exposure amount)	15.35%	
63	Total capital (as a percentage of risk exposure amount)	18.28%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	7.12%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.12%	
67	of which: systemic risk buffer requirement	-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.10%	
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0.0	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
74	Empty Set in the EU	-	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0.7	
	Applicable caps on the inclusion of provisions in Tier 2		

76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	47.8
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Annex C: Geographical Distribution of Credit Exposures

Disclosure of information relevant for the calculation of the countercyclical buffer											
						Own funds requirements					
	Geographical distribution of credit exposures relevant for the calculation of the counter cyclical buffer	Exposure value of credit exposures	Sum of net long and short positions of trading book exposures	Value of Trading book exposures for internal models	Exposure value of securitisation exposures	*of which: Credit exposures*	*of which: Trading book exposures*	*of which: Securitisa tion exposures*	Total	Own funds requirements weights	Counter cyclical buffer rate
		$m	$m	$m	$m	$m	$m	$m	$m		%
1	Angola	0.1	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
2	Austria	0.5	0.0	0.2	0	0.0	0.0	0	0.0	0.00	0.00%
3	Azerbaijan	0.9	0.0	0.0	0	0.1	0.0	0	0.1	0.00	0.00%
4	Bahamas	19.1	0.0	0.0	0	1.5	0.0	0	1.5	0.01	0.00%
5	Bahrain	13.9	0.0	0.0	0	1.1	0.0	0	1.1	0.00	0.00%
6	Belgium	3.4	0.0	0.3	0	0.3	0.0	0	0.3	0.00	0.00%
7	Botswana	0.1	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
8	Brazil	1.6	0.1	0.0	0	0.1	0.0	0	0.1	0.00	0.00%
9	Bulgaria	0.0	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.50%
10	Cameroun	0.3	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
11	Canada	0.8	0.0	0.2	0	0.1	0.0	0	0.1	0.00	0.00%
12	Cayman Islands	74.7	0.0	0.1	0	6.0	0.0	0	6.0	0.03	0.00%
13	Chile	0.4	0.1	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
14	China	70.7	0.0	0.0	0	5.7	0.0	0	5.7	0.02	0.00%
15	Cyprus	0.2	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
16	Cyprus	0.2	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
17	Czech Republic	0.0	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.50%
18	Finland	0.5	0.0	0.3	0	0.0	0.0	0	0.1	0.00	0.00%
19	France	10.1	0.0	3.6	0	0.8	0.1	0	0.9	0.00	0.00%
20	Georgia	0.2	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
21	Germany	103.0	0.0	2.4	0	6.6	0.0	0	6.7	0.03	0.00%
22	Ghana	0.9	0.0	0.0	0	0.1	0.0	0	0.1	0.00	0.00%
23	Gibraltar	20.8	0.0	0.0	0	1.7	0.0	0	1.7	0.01	0.00%
24	Great Britain	251.1	0.0	3.8	0	16.8	0.1	0	16.8	0.0717	0.00%
25	Guernsey C.I.	73.5	0.0	0.0	0	5.9	0.0	0	5.9	0.03	0.00%
26	Hong Kong	294.9	0.0	0.0	0	23.6	0.0	0	23.6	0.10	1.00%
27	India	8.5	0.0	0.0	0	0.7	0.0	0	0.7	0.00	0.00%
28	Indonesia	1.2	0.0	0.2	0	0.1	0.1	0	0.2	0.00	0.00%
29	Ireland	0.4	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
30	Israel	0.1	0.0	0.1	0	0.0	0.0	0	0.0	0.00	0.00%
31	Italy	11.4	0.0	0.3	0	0.9	0.0	0	0.9	0.00	0.00%
32	Ivory Coast	133.9	0.0	0.0	0	2.6	0.0	0	2.6	0.01	0.00%
33	Japan	254.1	0.0	0.0	0	20.3	0.0	0	20.3	0.09	0.00%
34	Jersey, C.I.	28.3	0.0	0.0	0	2.3	0.0	0	2.3	0.01	0.00%
35	Jordan	26.0	0.0	0.0	0	3.1	0.0	0	3.1	0.01	0.00%
36	Kazakhstan	5.1	0.5	0.0	0	0.4	0.0	0	0.4	0.00	0.00%
37	Kenya	0.9	0.0	0.0	0	0.1	0.0	0	0.1	0.00	0.00%
38	Korea, Republic Of	23.7	0.0	0.0	0	1.9	0.0	0	1.9	0.01	0.00%

	Geographical distribution of credit exposures relevant for the calculation of the counter cyclical buffer	Exposure value of credit exposures	Sum of net long and short positions of trading book exposures	Value of Trading book exposures for internal models	Exposure value of securitisation exposures	Own funds requirements				Own funds requirements weights	Counter cyclical buffer rate
						of which: Credit exposures	*of which: Trading book exposures*	*of which: Securitisation exposures*	Total		
		$m	$m	$m	$m	$m	$m	$m	$m		%
39	Kuwait	0.1	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
40	Luxembourg	133.8	0.0	0.2	0	10.7	0.0	0	10.7	0.05	0.50%
41	Malawi	30.1	0.0	0.0	0	1.2	0.0	0	1.2	0.01	0.00%
42	Mauritius	4.4	0.0	0.0	0	0.3	0.0	0	0.3	0.00	0.00%
43	Mexico	0.2	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
44	Morocco	0.4	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
45	Mozambique	0.1	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
46	Netherlands	4.6	0.0	2.0	0	0.3	0.1	0	0.3	0.00	0.00%
47	Nigeria	54.7	0.2	0.0	0	3.2	0.0	0	3.2	0.01	0.00%
48	Norway	0.0	0.0	0.3	0	0.0	0.0	0	0.0	0.00	1.00%
49	Panama	1.4	0.0	0.0	0	0.1	0.0	0	0.1	0.00	0.00%
50	Peru	0.1	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
51	Philippines	5.4	0.0	0.0	0	0.4	0.0	0	0.4	0.00	0.00%
52	Pitcairn Islands	0.0	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
53	Poland	2.6	0.0	0.0	0	0.2	0.0	0	0.2	0.00	0.00%
54	Puerto Rico	2.2	0.0	0.0	0	0.2	0.0	0	0.2	0.00	0.00%
55	Qatar	46.8	0.0	0.0	0	3.7	0.0	0	3.7	0.02	0.00%
56	Russian Federation	95.0	0.0	0.0	0	7.6	0.0	0	7.6	0.03	0.00%
57	Saudi Arabia	7.1	0.0	0.0	0	0.6	0.0	0	0.6	0.00	0.00%
58	Sierra Leone	0.1	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
59	Singapore	602.0	0.0	0.0	0	37.2	0.0	0	37.2	0.16	0.00%
60	Slovakia	0.0	0.0	0.2	0	0.0	0.0	0	0.0	0.00	1.00%
61	South Africa	2.4	0.2	0.2	0	0.2	0.0	0	0.2	0.00	0.00%
62	Spain	9.2	0.0	0.7	0	0.7	0.0	0	0.8	0.00	0.00%
63	Swaziland	0.0	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
64	Sweden	0.1	0.0	0.2	0	0.0	0.0	0	0.0	0.00	0.00%
65	Switzerland	163.0	0.0	0.8	0	13.3	0.0	0	13.4	0.06	0.00%
66	Taiwan	9.0	0.0	0.0	0	1.1	0.0	0	1.1	0.00	0.00%
67	Tanzania, United Republic Of	0.4	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
68	Thailand	1.6	0.0	0.0	0	0.1	0.0	0	0.1	0.00	0.00%
69	Tunisia	0.1	0.0	0.0	0	0.0	0.0	0	0.0	0.00	0.00%
70	Turkey	81.5	0.0	0.0	0	6.6	0.0	0	6.6	0.03	0.00%
71	Uganda	1.8	0.0	0.0	0	0.2	0.0	0	0.2	0.00	0.00%
72	Ukraine	0.2	0.0	0.1	0	0.0	0.0	0	0.0	0.00	0.00%
73	United Arab Emirates	64.5	0.0	0.0	0	3.3	0.0	0	3.3	0.01	0.00%
74	United States	249.9	0.0	5.5	0	18.8	0.1	0	18.9	0.08	0.00%
75	Uzbekistan	233.4	0.0	0.0	0	14.8	0.0	0	14.8	0.06	0.00%
76	Zambia	36.2	0.0	0.0	0	4.3	0.0	0	4.3	0.02	0.00%
	Total	**3,296.5**	**1.1**	**21.5**	**0**	**234.3**	**0.6**	**0**	**234.9**	**1.00**	**4.50%**

Only exposures to countries relevant to ICBCS are shown in the table above.

Annex D: Leverage Ratio

Leverage Ratio Common Disclosure Template

	As at 31 December 2021	CRR Leverage Ratio Exposure ($m)
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	19,152
2	(Asset amounts deducted in determining Tier 1 capital)	(33)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**19,119**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	848
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,710
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(346)
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	1,277
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(807)
11	**Total derivative exposures (sum of lines 4 to 10)**	**3,682**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,724
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	44
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**2,769**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	170
18	(Adjustments for conversion to credit equivalent amounts)	(60)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**110**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off-balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off-balance sheet))	-
	Capital and total exposures	
20	**Tier 1 capital**	**1,308**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**25,680**
22	**Leverage ratio**	**5.09%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

Leverage Ratio Exposure Breakdown

A breakdown of the on-balance sheet exposures used in the leverage ratio calculation (excluding derivatives, securities financing transactions and all exposures exempted from inclusion in the leverage ratio exposure measure) are shown in the table below. A significant component of the banking book exposures is driven by cash balances held at central banks and highly liquid securities.

Leverage Ratio on Balance Sheet Exposures (excluding derivatives, SFTs and exempted exposures)

As at 31 December 2021	CRR Leverage Ratio Exposure ($m)
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**18,686**
Trading book exposures	6,436
Banking book exposures, of which:	12,250
Covered bonds	0
Exposures treated as sovereigns	8,523
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	646
Institutions	913
Secured by mortgages of immovable properties	0
Retail exposures	0
Corporate	2,083
Exposures in default	1
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	84

The exposure measure generally follows the accounting value, with a number of specific adjustments as per the amended CRR Article 429. The table below shows the reconciliation of the accounting balance sheet to the leverage ratio exposure measure.

Leverage Ratio Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

As at 31 December 2021	Applicable Amounts ($m)
Total assets as per published financial statements	**26,268**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
Adjustments for derivative financial instruments	(710)
Adjustments for securities financing transactions "SFTs"	44
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	110
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
Other adjustments	(33)
Total leverage ratio exposure	**25,680**

Annex E: Non-performing & forborne exposures

Collateral obtained by taking possession & execution processes

See the table below for information on the instruments that were cancelled in exchange for collateral obtained by taking possession and on the value of the collateral obtained by taking possession.

Collateral Obtained by Taking Possession & Execution Processes

As at 31 December 2021	Value at initial recognition **($)**	Accumulated negative charges **($)**
Property, plant and equipment (PP&E)	-	-
Other than PP&E	-	-
Residential immovable property	-	-
Commercial immovable property	-	-
Movable property (auto, shipping etc.)	-	-
Equity and debt instruments	-	-
Other	-	-
Total collateral obtained by taking possession	**-**	**-**

Performing & Non-Performing Exposures & Related Provisions

As at 31 December 2021	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures	*Of which stage 1*	*Of which stage 2*	*Non-performing exposures*	*Of which stage 2*	*Of which stage 3*	*Performing exposures - accumulated impairments & provisions*	*Of which stage 1*	*Of which stage 2*	*Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions*	*Of which stage 2*	*Of which stage 3*		*On performing exposures*	*On non-performing exposures*
	($m)	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**	**($m)**
Loans and advances	8,108.7	4,368.6	66.8	-	-	-	(4.4)	(4.1)	(0.3)	-	-	-	-	5,744.1	-
Central banks	2,163.6	129.8	66.8	-	-	-	(0.5)	(0.3)	(0.3)	-	-	-	-	2,153.0	-
General governments	126.4	126.4	-	-	-	-	(0.1)	(0.1)	-	-	-	-	-	126.4	-
Credit institutions	2,694.1	1,236.2	-	-	-	-	(0.7)	(0.7)	-	-	-	-	-	1,885.6	-
Other financial corporations	1,638.6	1,391.4	-	-	-	-	(0.6)	(0.6)	-	-	-	-	-	662.8	-
Non-financial corporations	1,486.0	1,484.8	-	-	-	-	(2.5)	(2.5)	-	-	-	-	-	916.4	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-		-	-	-	-	-	-
Debt securities	925.6	925.6	-	-	-	-	(0.1)	(0.1)	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	5.2	5.2	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	646.6	646.6	-	-	-	-	(0.1)	(0.1)	-	-	-	-	-	-	-
Other financial corporations	273.8	273.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	170.0	170.0	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	32.3	32.3	-	-	-	-	-	-		-	-	-	-	-	-
Non-financial corporations	137.7	137.7	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**9,204.3**	**5,464.2**	**66.8**	**-**	**-**	**-**	**(4.4)**	**(4.1)**	**(0.3)**	**-**	**-**	**-**	**-**	**5,744.1**	**-**

Performing & Non-Performing Exposures & Related Provisions

The gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, accumulated partial write-off, and collateral and financial guarantees received, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.

Credit Quality of Performing & Non-Performing Exposures by Past Due Days												
	Gross carrying amount/nominal amount											
	Performing exposures			**Non-performing exposures**								
As at 31 December 2021	**Performing exposures**	***Not past due or past due ≤ 30 days***	***Past due > 30 days ≤ 90 days***	**Non-performing exposures**	***Unlikely to pay that are not past due or are past due ≤ 90 days***	***Past due > 90 days ≤ 180 days***	***Past due > 180 days ≤ 1 year***	***Past due > 1 year ≤ 2 years***	***Past due > 2 years ≤ 5 years***	***Past due > 5 years ≤ 7 years***	***Past due > 7 years***	***Of which defaulted***
	($m)	**($m)**	**($m)**			**($m)**	**($m)**	**($m)**	**($m)**			**($m)**
Loans and advances	8,108.7	8,108.7	-	-	-	-	-	-	-	-	-	-
Central banks	2,163.6	2,163.6	-	-	-	-	-	-	-	-	-	-
General governments	126.4	126.4	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,694.1	2,694.1	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,638.6	1,638.6	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	1,486.0	1,486.0	-	-	-	-	-	-	-	-	-	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	925.6	925.6	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	5.2	5.2	-	-	-	-	-	-	-	-	-	-
Credit institutions	646.6	646.6	-	-	-	-	-	-	-	-	-	-
Other financial corporations	273.8	273.8	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	170.0			-								-
Central banks	-			-								-
General governments	-			-								-
Credit institutions	-			-								-
Other financial corporations	32.3			-								-
Non-financial corporations	137.7			-								-
Households	-			-								-
Total	**9,204.3**	**9,034.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Credit Quality of Performing & Non-Performing Exposures by Past Due Days

The gross carrying amount of performing and non-performing exposures according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.

Credit Quality of Forborne Exposures								
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne						
As at 31 December 2021	Performing forborne	Non-performing forborne	*Of which defaulted*	*Of which impaired*	On performing forborne exposures	On non-performing forborne exposures	Collateral received and financial guarantees received on forborne exposures	*Of which collateral and financial guarantees received on non-performing exposures with forbearance measures*
	($m)	($m)	($m)	($m)	($m)	($m)	($m)	($m)
Loans and advances	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-
Debt Securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Performing & Non-Performing Exposures & Related Provisions

The gross carrying amount of forborne exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, and collateral and financial guarantees received, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.

Annex F: Glossary

Additional Tier 1 capital

Instruments that are not common equity however are eligible to be included within Tier 1. Examples include contingent convertibles and hybrid securities.

Arrears

A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue. Such a customer is also said to be in a state of delinquency and the entire outstanding balance is delinquent.

Asset Encumbrance

Asset encumbrance refers to the existence of bank assets securing liabilities in the event that an institution fails to meet its financial obligations.

Back testing

Application of an analytical method where historical data is used to determine how accurately the model has predicted actual results

Basel III

The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision in 2010 and due to be phased in, through UK CRD IV, from 1 January 2014 onward.

Basis point

One hundredth of a per cent (0.01 per cent). 100 basis points is 1 per cent. Used in quoting movements in interest rates or yields on securities

Capital resources

Eligible capital held by the group in order to satisfy its capital requirements.

Central Counterparty (CCP)

An institution mediating between the buyer and the seller in a financial transaction, such as a derivative contract or repurchase agreement (repo). Where a CCP is used, a single bilateral contract between the buyer and the seller is replaced with two contracts, one between the buyer and the CCP and one between the CCP seller.

Contractual maturities

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Common equity tier 1 capital

The highest quality form of regulatory capital under UK CRD IV that comprises common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments.

Common equity tier 1 ratio

Common equity tier 1 capital as a percentage of risk weighted assets.

Counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial instruments and may include derivative contracts and repo contracts.

CRD

See UK CRD IV

UK CRD IV

In June 2013, the European Commission published legislation for a Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) which form the CRD IV package. The package implements the Basel III proposals in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. The UK CRD IV is the UK legislation and rules implementing the Capital Requirements Directive

CRD V

The revised rules on capital and liquidity (CRR2 and CRD V) and resolution (BRRD2 and SRMR2) were published in the Official Journal on 7 June 2019 following a legislative process which began at the end of 2016. Most changes will apply from 1 January 2022

Credit quality step

A step in the EBA's credit quality assessment scale which is based on the credit ratings applied by ECAIs. The scale is used to assign risk weights to exposures under the Standardised Approach.

Credit Conversion Factor (CCF)

Credit conversion factors (CCF) are used in determining the exposure at default (EAD) in relation to a credit risk exposure. The CCF is an estimate of the proportion of undrawn commitments expected to be drawn down at the point of default.

Credit Default Swaps (CDS)

A credit default swap is a type of credit derivative. It is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. The entity selling protection receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit derivatives

A credit derivative is a financial instrument that derives its value from the credit rating of an underlying instrument carrying the credit risk of the issuing entity. The principal type of credit derivatives are credit default swaps, which are used by the group as part of its trading activity and to manage its own exposure to credit risk.

Credit risk

The risk that parties with whom the group has contracted fails to meet their obligations (both on and off-balance sheet).

Credit risk mitigation

A technique used to reduce the credit risk associated with an exposure (which continues to be held) by application of credit risk mitigants such as collateral, guarantees and credit protection.

Credit risk spread (or credit spread)

The credit spread is the yield spread between securities with the same currency and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Credit Valuation Adjustments (CVA)

These are adjustments to the fair values of derivative assets to reflect the creditworthiness of the counterparty.

CRR

See UK CRD IV

CRR2

See CRD V

Debit Valuation Adjustment (DVA)

An adjustment to the measurement of derivative liabilities to reflect default risk of the entity

Debt securities

Debt securities are assets held by the group representing certificates of indebtedness of credit institutions, public bodies or other undertakings, excluding those issued by Central Banks.

Debt securities in issue

These are unsubordinated debt securities issued by the group. They include commercial paper, certificates of deposit, bonds and medium-term notes.

Equity risk

The financial risk involved in holding equity in a particular investment.

Expected Loss (EL)

Expected loss (EL) represents the anticipated loss, in the event of default, on a credit risk exposure modelled under the internal ratings-based approach. EL is determined by multiplying the associated PD%, LGD% and EAD together and assumes a 12-month time horizon.

Exposure

An asset, off-balance sheet item or position which carries a risk of financial loss

Exposure at Default (EAD)

Exposure at default (EAD) represents the estimated exposure to a customer in the event of default. In determining EAD amounts, consideration is made of the extent to which undrawn commitments may be drawn down at the point of default (see Credit Conversion Factors) and the application of credit risk mitigation (i.e. eligible financial collateral). Analysis of credit risk exposures under Pillar 3 is typically based on EAD amounts, prior to the application of credit risk mitigation.

External Credit Assessment Institutions (ECAI)

External Credit Assessment Institutions (ECAIs) include external credit rating agencies such as Standard & Poor's, Moody's and Fitch.

Fair value adjustment

Fair value adjustments arise on acquisition when assets and liabilities are acquired at fair values that are different from the carrying values in the acquired company. In respect of the group's acquisition of HBOS the principal adjustments were write-downs in respect of loans and advances to customers and debt issued.

Financial Collateral Comprehensive Method (FCCM)

An approach to regulatory credit risk mitigation, whereby the collateral adjusted value is deducted from the risk exposure (before assigning a risk weight).

Forbearance

Forbearance takes place when a concession is made on the contractual terms of a loan in response to an obligor's financial difficulties.

Group

Refers to ICBCS Group

Historical Look Back Approach (HLBA)

Method for calculating additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on a firm's derivatives transactions, financing transactions and other contracts.

Impaired loans

Impaired loans are loans where the group does not expect to collect all the contractual cash flows or to collect them when they are contractually due.

Impairment charge and impairment allowances

Impairment allowances are a provision held on the balance sheet as a result of the raising of an impairment charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be individual or collective.

Impairment losses

An impairment loss is the reduction in value that arises following an impairment review of an asset that determines that the asset's value is lower than its carrying value. For impaired financial assets measured at amortised cost, impairment losses are the difference between the carrying value and the present value of estimated future cash flows, discounted at the asset's original effective interest rate.

Incremental Risk Charge

Incremental risk charge ('IRC') The IRC model captures the potential distribution of profit and loss due to default and migration for a portfolio of credit positions. For credit positions held on the trading book, and subject to specific interest rate risk VAR for regulatory capital, an IRC based on the 99.9th percentile of the IRC distribution, over a one-year capital horizon, is used as a capital add-on to VAR.

Individual Liquidity Guidance (ILG)

The amount, quality and funding profile of liquidity resources that the regulator has asked the institution to maintain.

Individually / collectively assessed

Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available.

Interest rate risk (IRR)

Interest rate risk in arises from the different repricing characteristics of the group's non-trading assets, liabilities and off-balance sheet positions of the group. Interest rate risk arises predominantly from the mismatch between interest rate sensitive assets and liabilities, but also to the investment term of capital and reserves, and the need to minimise income volatility.

Internal Assessment Approach (IAA)

The Internal Assessment Approach is an IRB approach for securitisations whereby a firm applies its internal assessment of the credit quality of the positions in the risk weighted asset calculations. A firm must apply to the PRA for permission to use this approach and must satisfy the PRA of its internal assessment processes. The Internal Assessment Approach may only be applied to exposures arising from asset backed commercial paper programmes.

Internal Capital Adequacy Assessment Process (ICAAP)

The group's own assessment, based on Basel III requirements, of the levels of capital that it needs to hold in respect of its regulatory capital requirements (for credit, market and operational risks) and for other risks including stress events as they apply on a solo level and on a consolidated level.

Internal Liquidity Adequacy Assessment Process (ILAAP)

The group's own assessment of the processes for the identification, measurement, management and monitoring of liquidity.

Internal Model Method (IMM)

The Internal Model Method is one of three methods available to calculate exposure values for counterparty credit risk. A firm must only apply the IMM if it has counterparty credit risk IMM permission from the PRA.

Investment grade

This refers to the highest range of credit ratings, from 'AAA' to 'BBB' as measured by external credit rating agencies.

International Swaps and Derivatives Association (ISDA) master agreement

A standardised contract developed by the ISDA which is used as an umbrella contract for bilateral derivative contracts.

Leverage Ratio

A capital leverage measure, introduced under the Basel III reforms, that is defined as the ratio of tier 1 capital to total exposures, where total exposures equal the sum of all balance sheet assets and off-balance sheet items not deducted in determining tier 1 capital. The leverage ratio is intended to reinforce risk-based capital requirements with a simple, non-risk based 'backstop' measure.

Liquidity Coverage Ratio (LCR)

The proportion of highly liquid assets held to ensure of ongoing ability to meet short-term obligations.

Loans past due

Loans are past due when a counterparty has failed to make a payment when contractually due.

Loss Given Default (LGD)

Loss given default (LGD) represents the estimated proportion of an EAD amount that will be lost in the event of default. It is calculated after taking account of credit risk mitigation and includes the cost of recovery.

Mark-to-Market (MTM) Approach

The Mark-to-Market Approach is one of three methods available to calculate exposure values for counterparty credit risk. The method adjusts daily to account for profits and losses in the value of related assets and liabilities.

Market risk

The risk that unfavourable market moves (including changes in and increased volatility of interest rates, market-implied inflation rates, credit spreads and bond prices, foreign exchange rates, equity, property and commodity prices and other instruments) lead to reductions in earnings and / or value.

Master netting agreement

An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

Minimum capital requirement

The minimum regulatory capital that must be held in accordance with Pillar 1 requirements for credit, market and operational risk

Model validation

The process of assessing and providing evidence that the group's models perform as planned and adequately reflect the risk profile of the business, and that there are no material misstatements of the capital requirement See also backtesting

Multilateral Development Banks

Institutions created by groups of countries to provide finance and professional advice for development.

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events

Over-the-Counter (OTC) derivatives

Over the counter derivatives are derivatives for which the terms and conditions can be freely negotiated by the counterparties involved, unlike exchange traded derivatives which have standardised terms.

Past due items

An exposure class under the Standardised Approach that recognises exposures that are more than 90 days past due

Pillar 1

The first pillar of the Basel III framework sets out the minimum regulatory capital requirements for credit, operational and market risks.

Pillar 2

The second pillar of the Basel III framework is known as the Supervisory Review Process, and sets out the review process for a bank's capital and liquidity adequacy; the process under which the supervisors evaluate how well financial institutions are assessing their risks and the actions taken as a result of these assessments.

Pillar 2A

Pillar 2A addresses risks to an individual firm which are either not captured, or not fully captured, under the Pillar 1 requirements applicable to all banks.

Pillar 3

The third pillar of the Basel III framework aims to encourage market discipline by setting out disclosure requirements for banks on their capital, liquidity and risk exposures and risk assessment processes. These disclosures are aimed at improving the information made available to the market.

Potential Future Exposure (PFE)

A regulatory add-on for the potential future credit exposure on derivatives contracts as calculated under the Mark-to-Market Approach.

Private equity investments

Private equity is equity securities in operating companies not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies or the acquisition of a public company that results in the delisting of public equity. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

Prudent Valuation Adjustment (PVA)

A regulatory deduction applied to UK CRD IV common equity tier 1 capital based upon the difference between the prudent values of trading book assets or other financial assets measured at fair value with the fair values recognised for these assets in the financial statements.

Point-in-Time (PIT)

Estimates of PD (or other measures) made on a Point-in-Time (PIT) basis generally cover a short time horizon (usually a 12-month period) and are sensitive to changes in the economic cycle. This differs from a Through-the-Cycle (TTC) basis which uses long run average economic and risk data to reduce such sensitivity.

Probability of Default (PD)

Probability of default (PD) represents an estimate of the likelihood that a customer will default on their obligation within a 12-month time horizon.

Ratings Based Approach (RBA)

The Ratings Based Approach is an IRB approach for securitisations applied to rated securitisation and re-securitisation positions. The approach applies risk weightings to positions based on a combination of ECAI ratings, the granularity of the underlying pool, the seniority of the position and whether the position is a re-securitisation position.

Regulatory capital

The amount of capital that the group holds, determined in accordance with rules established by the PRA for the consolidated group and by local regulators for individual group companies.

Re-securitisations

A securitisation where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation position.

Renegotiated loans

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

Repurchase agreements or 'repos'

Short-term funding agreements which allow a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan.

Residual maturity

The length of time remaining from present date until the maturity of the exposure

Risk appetite

The amount and type of risk that the group is prepared to seek, accept or tolerate.

Risk weighted assets (RWAs)

A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with EBA rules.

Securities financing transactions (SFTs)

Securities financing transactions are repurchase and reverse repurchase agreements, buy / sell backs and securities lending. For the lender (seller) of the securities it is usually a way to raise funds to finance the securities positions. For the borrower (buyer) of the securities it is a way to invest short–term funds or to cover short (bond) positions.

Securitisation

Securitisation is a process by which a group of assets, usually loans, are aggregated into a pool, which is used to back the issuance of new securities. Securitisation is the process by which ABS are created. A company sells assets to a structured entity which then issues securities backed by the assets. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors. Assets used in securitisations include mortgages to create mortgage backed securities or residential mortgage-backed securities (RMBS) as well as commercial mortgage backed securities (CMBS). The group has established several securitisation structures as part of its funding and capital management activities. These generally use mortgages, corporate loans and credit cards as asset pools.

Securitisation position

A retained or purchased position (exposure) in the securities issued by a securitisation

SMCR

The aim of the SMCRR is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence.

Sovereign exposures

Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned.

Standardised Approach

The Standardised Approach to calculating credit risk capital requirements requires the use of a standard set of risk weights prescribed by the regulator. Use may be made of external credit ratings supplied by ECAIs to assign risk weights to exposures. Standardised approaches, following prescribed methodologies, also exist for calculating market risk and operational risk capital requirements.

Stressed VaR (SVaR)

Stressed VaR is a one year forward looking measure of VaR where certain parameters of the portfolio are calculated under a period of stress.

Stress testing

Stress and scenario testing is the term used to describe techniques where plausible events are considered as vulnerabilities to ascertain how this will impact the capital resources which are required to be held.

Subordinated liabilities

Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer

The Standardised Approach (TSA)

A standardised measure for calculating operational risk capital requirements based on the three-year average of the aggregate risk weighted relevant indicators of the underlying business. The relevant indicators are derived from total income.

Through-the-cycle (TTC)

See Point-in-time (PIT)

Tier 1 capital

A measure of a bank's financial strength defined by the CRR. It captures common equity tier 1 capital plus other tier 1 securities in issue, but is subject to a deduction in respect of material holdings in financial companies.

Tier 1 capital ratio

Tier 1 capital as a percentage of risk weighted assets.

Tier 2 capital

A component of regulatory capital defined by the CRR2, mainly comprising qualifying subordinated loan capital, certain non-controlling interests and eligible collective impairment allowances

Total Capital Requirement (TCR)

The amount and quality of capital a firm must maintain to comply with the minimum capital requirements under the Capital Requirements Regulation and the Pillar 2A capital requirement.

Trading book

Positions in financial instruments and commodities held for trading purposes or to hedge other elements of the trading book.

Value-at-Risk (VaR)

Value-at-Risk is an estimate of the potential loss in earnings which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day. It is measured to specified level of confidence, often 95 per cent or 99 per cent.

Write downs

The depreciation or lowering of the value of an asset in the books to reflect a decline in their value, or expected cash flows.

Write-off

The reduction of the value of an asset to zero, reflecting the inability to recover any residual value

Wrong way risk (WWR)

The risk that arises from the correlation between a counterparty exposure and the credit quality of the counterparty. It is therefore the risk that the probability of default of the counterparty increases with the exposure.

Annex G: List of Tables

Annex H: Acronyms and abbreviations

ALCO	Asset Liability Committee
ALDB	Assets and Liabilities Database
BAC	Board audit committee
BCM	Business Continuity Management
BCP	Business Continuity Plan
BRMC	Board risk management committee
CCP	Central Clearing Counterparty
CCR	Counterparty Credit Risk
CCoB	Capital Conservation Buffer
CCyB	Countercyclical Buffer
CEO	Chief Executive Officer
CMT	Crisis Management Team
Company	ICBC Standard Bank Plc company
CRD	Capital requirement directive
CRO	Chief Risk Officer
CSC	Capital Sub-Committee
CVA	Credit valuation adjustment
DVA	Debit valuation adjustments
EAD	Exposure at default
EAR	Earnings at Risk
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EHQLA	Extremely High-Quality Liquid Assets
EL	Expected loss
EU	European Union
EVE	Economic Value of Equity
ExCo	Executive Committee of the group
EWI	Early warning indicator
FCA	Financial Conduct Authority
FCCM	Financial Collateral Comprehensive Method
FIRB	Foundation internal ratings based
FOA	Futures and Options Association
FPC	Financial Policy Committee
FVPL	Fair Value through Profit and Loss
GWWR	General Wrong Way Risk
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ICBC	Industrial and Commercial Bank of China Limited
ICBCS	ICBC Standard Bank Plc
IFRS	International Financial Reporting Standards as adopted by the EU
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IRC	Incremental Risk Charge
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swap Dealers Association
LAB	Liquid Asset Buffer
LGD	Loss given default
LCR	Liquidity Coverage Ratio
LME	London Metal Exchange
LSC	Liquidity Sub-Committee
LTIP	Long Term Incentive Plan
MLRC	Market and Liquidity Risk Committee
MRT	Material Risk Taker
NIRF	Notional Inventory Risk Framework
OTC	Over-the-counter
PBB	Personal and Business Banking
PD	Probability of Default
PFE	Potential Future Exposure
PIT	Point in time
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RemCo	Remuneration Committee of the group
Repos	Repurchase agreements
RMAC	Risk Methodologies Approval Committee
RMC	Risk management committee
RRP	Recovery and Resolution Plan
RTF	Risk Technical Forum
SBG	Standard Bank Group
SBGL	Standard Bank Group Limited
SBSA	Standard Bank of South Africa Limited
SLA	Service Level Agreement
SMCR	Senior Managers and Certification Regime
SME	Small and Medium Sized Enterprises
SVaR	Stressed VaR
SWWR	Specific Wrong Way Risk
TCFD	Taskforce on Climate-related Financial Disclosures
TCM	Treasury and Capital Management
TCR	Total Capital Requirement
TSA	The Standardised Approach
TTC	Through the cycle
UL	Unexpected loss
VaR	Value-at-risk
WWR	Wrong Way Risk

Contact information

UNITED KINGDOM
ICBC Standard Bank Plc

20 Gresham street
London
EC2V 7JE
England

W Wang
Chief Executive

CHINA
ICBC Standard Resources (China) Limited
Unit 705, Tower 1
Century Link, No. 1198
Shanghai 200122
The People's Republic of China

X Liu
General Manager

SINGAPORE
ICBC Standard Bank Plc – Singapore branch
One George Street
No. 16-04
Singapore 049145

V Yu
Chief Executive

UNITED STATES OF AMERICA
ICBC Standard NY Holdings, Inc. group
28th Floor, 520 Madison Avenue
New York
NY 10022
USA

J Roncevich
Chief Executive

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