ICBC Standard Bank

# Unaudited Interim Report

**ICBC Standard Bank Plc**

FOR THE PERIOD ENDED 30 JUNE 2022

# AT A GLANCE

## OVERVIEW

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

## PURPOSE, VALUES AND STRATEGIC PRIORITIES

**Our purpose statement**

To serve our clients globally as the Commodities and Financial Markets hub of ICBC.

**Underpinned by our values**

- Integrity 诚 信
- Openness 开 放
- Prudence 稳 健
- Innovation 创 新
- Excellence 卓 越

**Our strategic priorities**

- Simplification for sustainable growth
- Focus our efforts where we are differentiated
- Maximise group franchise value through integration

## OWNERSHIP STRUCTURE

ICBC —20%→ Standard Bank

World's largest bank by deposits, assets and Tier 1 capital

Pre-eminent Africa-focused financial services group

60% → ICBC Standard Bank ← 40%

## CREDIT RATING - ICBC STANDARD BANK

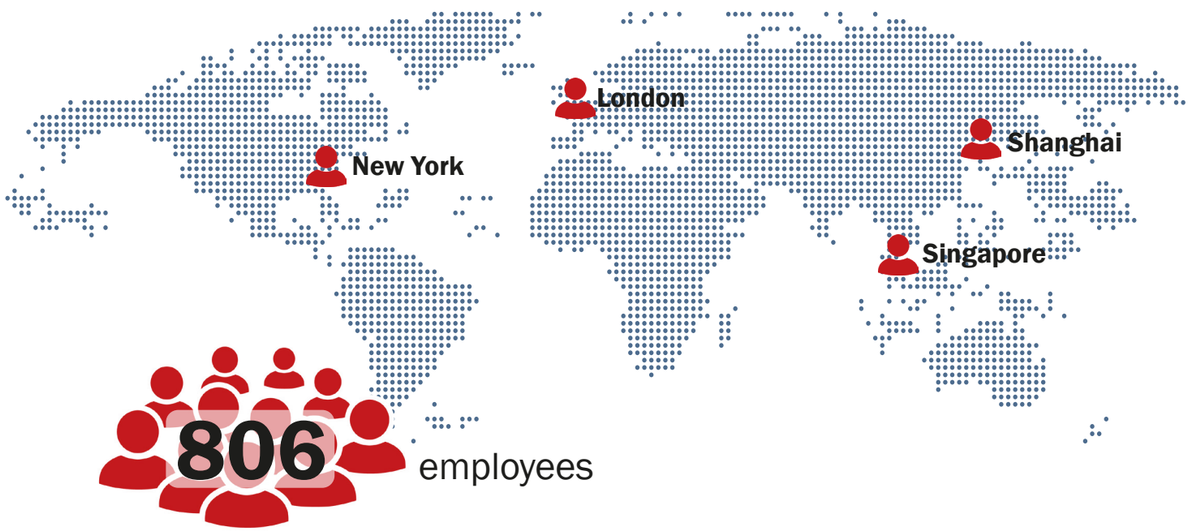
| | Short Term | Long Term | Outlook |
|---|---|---|---|
| **Fitch** | F1 | A- | Stable |
| **Moody's** | P2 | Baa1 | Stable |

## GROUP PERFORMANCE 30 JUNE 2022

| $474.2m | $229.4m | 16.6% |
|---|---|---|
| **Total Operating Income** | **Net Profit After Tax** | **Return on Equity** |

| $9.6bn | $32.6bn | 15.4% |
|---|---|---|
| **Total Risk Weighted Assets** | **Balance Sheet Assets** | **Tier 1 Capital Adequacy Ratio** |

## OFFICES AND AVERAGE NUMBER OF EMPLOYEES



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# Overview and summary of results

## Introduction

ICBC Standard Bank Plc ("the company") and its subsidiaries (together "the group") is a financial markets and commodities focused bank, which leverages its unique Chinese and African ownership to serve the growing needs of its clients, while also acting as a distribution platform for risk across Africa and other geographies.

The group specialises in global markets traded products including commodities, fixed income and currencies, with a focus on frontier and emerging market jurisdictions. These span Asia, Africa, Central and Eastern Europe, the Middle East and Latin America.

The group is headquartered in London, with additional operations in Singapore and New York. It also maintains a commodities sales presence in Shanghai through its subsidiary, ICBC Standard Resources (China) Limited.

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

The group has access to major international financial exchanges and has membership of the London Metals Exchange, and seats on the New York Mercantile Exchange (Comex division) and the Shanghai Gold Exchange International Board.

## Business model

The group offers an extensive spectrum of traded financial market and commodity assets, and risk management products.

The group's businesses originate exposures directly from clients and their market-making activities, which are subsequently risk managed and traded with other market participants and clients through the group's distribution network.

The group's access to its shareholders' large client bases has expanded the strategic opportunity of the business to serve the increasing demand for commodities, hedging and capital markets products.

### *1 Commodities*

The Commodities business provides trading, sales, working capital solutions and structuring expertise through its Metals and Energy teams.

As one of the four members of London Precious Metals Clearing Limited, the group offers vaulting and clearing services for clients, including safe custody for physical bullion at its own vault in London and at market recognised vaults globally.

### *2 Fixed Income and Currencies*

The Fixed Income and Currencies (FIC) business offers a comprehensive set of foreign exchange, interest rates, credit, money markets and structured lending products.

The FIC business provides flow structured products to the group's global clients for their investment activities, and delivers solutions for global corporates, banks and sovereigns for their financing, treasury and liability risk management requirements.

The Debt Capital Markets team within the FIC business focus on providing origination, structuring and execution capabilities for the group's clients.

## Market conditions

At the start of 2022, markets had projected the global recovery to strengthen from the second quarter onwards. Many parts of the world lifted Covid-restrictions, while several major economies were expected to return to their pre-pandemic size with economic impact of the Omicron variant short-lived.

However, in late February 2022, market focus overwhelmingly shifted towards the rising geopolitical tension of Russia towards Ukraine. Inflationary pressures were already mounting in many economies prior to the war because of soaring commodity prices and pandemic-induced supply-demand imbalances. Risk assets initially sold-off sharply on geopolitical turmoil. Stocks were down 6.0% to 14.0% month-on-month across Europe and the US and key credit indices had widened 20.0% by mid-March.

As the day-to-day impact of the conflict moderated in the second quarter of 2022, the inflationary environment, central bank policies and their implications for the global interest rate environment became the principal drivers of investor sentiment. Interest rates across G7 economies have continued on their upward trajectory. Shortly after the Federal Reserve's 75bps rate hike in June, 10-year US Treasury bonds had their worst first half since 1788. The US Dollar index hit a 20-year high towards the end of the first half of 2022 and continued to hold strong on renewed recession risks and the Federal Reserve's firm commitment to further rate increases.

Global commodity markets have witnessed sharp movements in the first half of 2022. Brent oil price increased by 40.0% and exceeded US$130pbbl on concerns of narrower supply due to ongoing sanctions over Russian oil and Russia's retaliation towards European countries by reducing energy supply. Natural gas trading in the New York Mercantile Exchange also increased by 45.4% in the first half of the year, driven by the less than expected natural gas storage and production decline in the US.

On the other hand, base metals faced downside pressures in the first half of 2022 due mostly to demand concerns on Covid lockdown restrictions across China, the stronger US dollar and global recession concerns. Copper, aluminium and zinc all experienced notable declines, falling by 14.8%, 5.7% and 7.1% respectively. Nickel, of which Russia is a major producer, experienced unprecedented volatility and market disruption, leading to the suspension of its contracts on the LME in March, but the price then also fell on recession concerns. In the precious metals sector, silver and platinum fell by 12.9% and 7.4% respectively over the period. Gold performed well as a defensive instrument, surpassing US$2,000.0 per ounce as the Ukraine conflict developed but subsequently gave back gains as US interest rates climbed. Palladium, of which Russia is also a leading supplier, bucked the trend by registering a 1.7% rise.

The Emerging Markets have also been under extreme pressure, resulting in a disappointing performance in the first half of 2022. Outflows from emerging market investment bond funds are unabated as performance of emerging market US dollar denominated bonds returns are down close to 20.0%. Many African nations saw a shrinking investor pool amid escalating inflation, market volatility and foreign exchange risks. Moreover, a number of emerging market sovereigns have embraced domestic banks as external funding costs escalate and cheap budget funding in frontier markets became a thing of the past.

Heading into the second half of 2022, global prospects remain highly uncertain. Divergences in growth, inflation, policy mix across regions and increasing geopolitical risks are likely to remain key features in the second half of the year. Inflation may be close to a peak, but will likely stay elevated due to deglobalisation, supply bottlenecks, high commodity prices and upbeat US wage growth. Central banks are likely to continue curbing inflation at a time of slowing growth, high debt and fragmentation risk in financial markets. The resumption in China's economic activity will likely bring meaningful uplift for commodity-exporting emerging markets. With carbon-transition remaining a dominant long-term global theme in asset

allocation, investor appetite for green bonds will likely remain a focus after the great repricing of G7 rates.

## Financial results

The group's results for the six months ended 30 June 2022 are shown in the consolidated income statement on page 9.

The profit attributable to equity shareholders for the period is US$229.4 million. This compares to a profit of US$72.1 million for the six months ended 30 June 2021 and US$98.6 million for the year ended 31 December 2021.

Total operating income for the first half of 2022 of US$474.2 million was 75.2% higher than for the equivalent period in the prior year (US$270.6 million).

The 2022 result includes US$233.7 million relating to recoveries on commodity inventory intermediation activities.

Underlying Commodities revenues (excluding the inventory intermediation recovery) remained consistent with the comparative period, with a strong performance across the Energy franchise being largely offset by the negative impact of the LME nickel market disruption and wider macro-economic headwinds faced by the Metals business.

FIC revenues were lower year-on-year, which is reflective of the challenging origination environment as a result of the general risk-off market sentiment and reduced debt issuance by corporate clients. The group was focussed on ensuring an orderly exit from exposures impacted by the conflict between Russia and Ukraine, and was able to limit the downside risks through a robust trading performance during this period of market instability.

Operating costs of US$196.2 million reflect an increase from the prior year (US$185.2 million). Staff costs have increased marginally through salary increases and a performance-linked incentive accrual. The operating expenses increase is primarily attributable to an adverse change in the year on year effective hedged GBP:USD foreign exchange rate. The income tax charge for the period was US$43.0 million, which is higher than the prior year (US$17.6 million), due to the higher profitability.

Total assets at 30 June 2022 were US$32.6 billion, representing an increase of 11.6% on prior year (US$29.2 billion), and 24.2% on year end (US$26.3 billion).

The increase on prior year of US$3.4 billion was primarily attributable to higher levels of surplus cash placed at central banks, US$4.1 billion, and higher derivative asset values, US$3.8 billion, a result of the fair value spikes generated by ongoing supply chain and geopolitical issues. Offsetting these movements, there has been a reduction in commodity inventories, US$2.2 billion, collateralised lending, US$1.2 billion, and owing to the macroeconomic trend of emerging markets outflows in 2022, a decrease in financial assets held for trading, US$1.7 billion, which is mainly due to a reduction in emerging markets government bonds.

Total liabilities at 30 June 2022 were US$31.0 billion, representing an increase of 11.4% on prior year (US$27.8 billion) and 24.6% on year end (US$24.9 billion).

The increase on prior year of US$3.2 billion was largely attributable to higher derivative liability valuations, US$4.1 billion, related to the fair value spikes referred to above, higher deposits designated at fair value, US$0.4 billion, and higher tier 2 subordinated debt, US$0.2 billion, which have been partially offset by lower obligations to return precious metals, US$1.1 billion.

Whilst there has been considerable movement within each of the three key funding lines of due to banks and other financial institutions, due to customers and repurchase agreements, overall funding remains consistent with prior year across the three liability categories.

Total equity at 30 June 2022 is US$1.6 billion, representing an increase of US$215.8 million on prior year, which is mainly a result of the US$26.5 million of profits generated in the second half of 2021 and the US$229.4 million of profits generated in the first half of 2022, which have been partially offset by the December 2021 AT1 coupon payment of US$12.2m, the US$11.7 million of cash flow hedge reserve losses in the second half of 2021, and the US$13.2 million of cash flow hedge reserve losses in the first half of 2022.

## Capital resources

At 30 June 2022, the group's equity capital resources amounted to US$1,583.1 million (30 June 2021: US$1,367.3 million) and total capital resources qualifying for prudential purposes were US$1,884.6 million (30 June 2021: US$1,473.1 million).

The group remains strongly capitalised at 30 June 2022, with a total capital adequacy ratio of 19.6% (30 June 2021: 19.0%), a tier 1 capital ratio of 15.4% (30 June 2021: 15.8%), a common equity tier 1 (CET1) capital ratio of 13.8% (30 June 2021: 13.7%) and risk weighted assets of US$9,639.8 million (30 June 2021: US$7,764.6 million).

The group’s leverage ratio at 30 June 2022, which measures tier 1 capital to a defined measure of on-balance sheet assets and certain off-balance sheet items, was 5.3% (30 June 2021: 4.4%). A minimum leverage ratio of 3.25% is expected to be applied by the PRA from 2023.

# Key financial results, ratios and statistics

## at 30 June 2022

| Income statement | June 2022 $m | June 2021 $m | December 2021 $m |
|---|---|---|---|
| Operating income | **474.2** | 270.6 | 466.0 |
| Operating expenses | **(196.2)** | (185.2) | (348.1) |
| Profit attributable to equity shareholders | **229.4** | 72.1 | 98.6 |
| **Balance sheet** | | | |
| Equity attributable to ordinary shareholders | **1,583.1** | 1,367.3 | 1,370.0 |
| Total assets | **32,615.7** | 29,213.8 | 26,268.5 |
| **Capital adequacy** | | | |
| Risk-weighted assets | **9,639.8** | 7,764.6 | 8,526.3 |
| Total Tier 1 capital | **1,485.8** | 1,223.1 | 1,308.4 |
| Tier 1 capital adequacy ratio (%) | **15.4** | 15.8 | 15.3 |
| Total capital adequacy ratio (%) | **19.6** | 19.0 | 18.3 |

# Consolidated balance sheet

## at 30 June 2022

| | **June 2022 $m** | June 2021 $m | December 2021 $m |
|---|---|---|---|
| **Assets** | **Unaudited** | Unaudited | Audited |
| Cash and balances with central banks | **6,324.2** | 2,255.4 | 6,056.5 |
| Due from banks and other financial institutions | **2,654.2** | 2,276.3 | 2,306.7 |
| Financial assets held for trading | **973.0** | 2,634.6 | 2,455.7 |
| Non-trading financial assets at fair value through profit or loss | **1,969.4** | 1,969.1 | 1,972.1 |
| Derivative financial assets | **8,633.3** | 4,839.4 | 4,392.1 |
| Reverse repurchase agreements | **2,714.5** | 3,930.6 | 2,287.8 |
| Loans and advances to customers | **1,398.9** | 625.7 | 1,608.7 |
| Financial investments | **834.5** | 1,381.1 | 925.5 |
| Property and equipment | **41.8** | 55.8 | 47.4 |
| Current tax assets | **2.0** | 1.6 | 3.5 |
| Deferred tax assets | **0.6** | 0.6 | 0.7 |
| Other assets | **7,069.3** | 9,243.6 | 4,211.8 |
| Non-financial assets held for trading – Commodities inventory | **6,594.9** | 8,828.0 | 3,902.1 |
| Other | **474.4** | 415.6 | 309.7 |
| **Total assets** | **32,615.7** | 29,213.8 | 26,268.5 |
| | | | |
| **Liabilities and equity** | | | |
| **Liabilities** | **31,032.6** | 27,846.5 | 24,898.5 |
| Financial liabilities held for trading | **1,386.0** | 1 401.4 | 1,566.5 |
| Non-trading financial liabilities at fair value through profit or loss | **2,496.1** | 2 095.7 | 2,099.9 |
| Derivative financial liabilities | **9,361.2** | 5 250.2 | 5,050.7 |
| Due to banks and other financial institutions | **9,806.2** | 7 822.4 | 11,646.5 |
| Repurchase agreements | **408.2** | 2 622.2 | 693.6 |
| Due to customers | **2,198.7** | 2 058.1 | 1,235.8 |
| Current tax liabilities | **13.8** | 8.6 | 1.9 |
| Subordinated debt | **401.1** | 250.8 | 250.8 |
| Other liabilities | **4,961.3** | 6 337.1 | 2,352.8 |
| Precious metal payables | **4,680.9** | 5 795.7 | 2,057.9 |
| Other | **280.4** | 541.4 | 294.9 |
| | | | |
| **Equity** | | | |
| **Equity attributable to shareholders** | **1,583.1** | 1,367.3 | 1,370.0 |
| Share capital | **1,083.5** | 1,083.5 | 1,083.5 |
| Other equity instruments | **160.0** | 160.0 | 160.0 |
| Reserves | **339.6** | 123.8 | 126.5 |
| | | | |
| **Total liabilities and equity** | **32,615.7** | 29,213.8 | 26,268.5 |

# Consolidated income statement

## for the period ended 30 June 2022

| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
|---|---|---|---|
| **Net interest income** | **45.7** | 58.0 | 112.0 |
| Interest income | **84.2** | 69.3 | 135.1 |
| Interest expense | **(38.5)** | (11.3) | (23.1) |
| **Non-interest revenue** | **428.5** | 212.6 | 354.0 |
| Net fees and commission | **12.9** | 20.3 | 32.9 |
| Fees and commission income | **21.6** | 29.1 | 52.0 |
| Fees and commission expense | **(8.7)** | (8.8) | (19.1) |
| Net trading revenue | **157.5** | 171.1 | 260.6 |
| Net gain on financial assets and liabilities at fair value through profit or loss | **24.4** | 20.0 | 48.3 |
| Recoveries / (losses) on commodity inventory intermediation | **233.7** | (0.7) | 8.8 |
| Recoveries on commodity reverse repurchase agreements | **-** | 2.0 | 3.4 |
| **Total operating income** | **474.2** | 270.6 | 466.0 |
| Credit impairment recoveries / (charges) | **(5.6)** | 4.3 | 2.8 |
| **Income after credit impairments** | **468.6** | 274.9 | 468.8 |
| **Operating expenses** | **(196.2)** | (185.2) | (348.1) |
| Staff costs | **(125.4)** | (117.8) | (216.1) |
| Other operating expenses | **(71.3)** | (65.1) | (127.7) |
| Restructuring costs and other impairments | **-** | 1.4 | 1.4 |
| Indirect taxation | **0.5** | (3.7) | (5.7) |
| **Profit before taxation** | **272.4** | 89.7 | 120.7 |
| Income tax charge | **(43.0)** | (17.6) | (22.1) |
| **Profit attributable to equity shareholders** | **229.4** | 72.1 | 98.6 |

# Consolidated statement of comprehensive income

## for the period ended 30 June 2022

| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
|---|---|---|---|
| **Profit attributable to equity shareholders** | **229.4** | 72.1 | 98.6 |
| **Other comprehensive income:** | | | |
| **Items that may be subsequently reclassified to profit or loss[1]** | | | |
| Foreign currency translation reserve | **(1.6)** | 0.4 | 0.8 |
| Cash flow hedging reserve[2, 3] | **(13.2)** | (7.6) | (19.3) |
| Effective portion of changes in fair value | **(18.0)** | (0.1) | (5.0) |
| Net amount transferred to profit or loss | **4.8** | (7.5) | (14.3) |
| Changes in fair value of debt instruments measured at FVOCI | **(1.8)** | 0.6 | 0.6 |
| **Items that will not be reclassified subsequently to profit or loss[1]** | | | |
| Gain / (losses) attributed to own credit risk | 0.3 | 0.3 | (0.1) |
| **Total comprehensive profit attributable to equity shareholders** | **213.1** | 65.8 | 80.7 |

1. No income tax is recognised in other comprehensive income
2. The cash flow hedges relate to hedges of the group's cost base for future highly probable expenses in currencies other than US dollars (i.e. the company's functional currency and group's reporting currency) and hedges of the long-term incentive liability due to changes in the ICBC share price
3. The cash flow hedging reserve movement of US$(13.2) million is primarily attributable to fair value losses recognised directly in reserves on FX forward contracts which hedge the group's expense base, US$19.7 million – due to a weakening of GBP sterling vs US dollar in 2022 – which has been partially offset by the crystallisation of $6.3 million of losses in the P&L on maturity of FX forward contracts in 2022

# Consolidated statement of changes in equity

## for the period ended 30 June 2022

| | Ordinary share capital and share premium $m | Other equity instruments $m | Cash flow hedging reserve $m | FVOCI reserve $m | Foreign currency translation reserve $m | Net investment hedge reserve $m | Own credit reserve $m | Retained earnings $m | Total equity $m |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2021** | 2,079.5 | 160.0 | 14.2 | 0.9 | (0.7) | (1.7) | (0.3) | (950.4) | 1,301.5 |
| Total comprehensive gains / (losses) for the year | - | - | (19.3) | 0.6 | 0.8 | - | (0.1) | 98.6 | 80.7 |
| Share Premium restructure[1] | (996.0) | - | - | - | - | - | - | 996.0 | - |
| Coupon payment on other equity instruments[2] | - | - | - | - | - | - | - | (12.2) | (12.2) |
| **Balance at 31 December 2021** | 1,083.5 | 160.0 | (5.1) | 1.5 | 0.1 | (1.7) | (0.4) | 132.1 | 1,370.0 |
| **Balance at 1 January 2022** | 1,083.5 | 160.0 | (5.1) | 1.5 | 0.1 | (1.7) | (0.4) | 132.1 | 1,370.0 |
| Total comprehensive gains / (losses) for the period | - | - | (13.2) | (1.8) | (1.6) | - | 0.3 | 229.4 | 213.1 |
| **Balance at 30 June 2022** | **1,083.5** | **160.0** | **(18.3)** | **(0.3)** | **(1.5)** | **(1.7)** | **(0.1)** | **361.6** | **1,583.1** |

1 The share premium restructure took effect in June 2021 involving cancellation of the share premium account and transfer of the balance on that account to retained earnings.

2 Additional Tier 1 capital coupon of US$12.2 million was paid in December 2021.

# Accounting policies

The financial results and financial position for the period ended 30 June 2022 set out on pages 8 to 11 have been prepared on a consistent basis to the group's consolidated annual financial statements for the year ended 31 December 2021. They do not include all information required for full annual financial statements or condensed consolidated financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*.

The group's annual financial statements for the year ended 31 December 2021 were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) as issued by the IASB and adopted in the United Kingdom (UK), and were also prepared on a going concern basis.

The group's annual financial statements were prepared on the historical cost basis except as modified by the fair value accounting for certain assets and liabilities where required or permitted by IFRS.

# Other assets

| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
|---|---|---|---|
| Non-financial assets held for trading – Commodities inventory | **6,594.9** | 8,828.0 | 3,902.1 |
| Precious metals | **5,350.4** | 6,663.4 | 2,057.6 |
| Base metals | **794.2** | 1,190.4 | 1,255.6 |
| Energy | **450.3** | 974.2 | 588.9 |
| Other | **474.4** | 415.6 | 309.7 |
| Unsettled dealing balances | **272.9** | 269.4 | 178.2 |
| Other receivables | **165.8** | 114.1 | 98.5 |
| Intangible assets | **35.7** | 32.1 | 33.0 |
| | **7,069.3** | 9,243.6 | 4,211.8 |

Precious metals allocated balances held by the group on behalf of customers are not recognised on the group's balance sheet and were as follows:

| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
|---|---|---|---|
| Precious metals – Allocated balances | **13,567.9** | 9,731.7 | 15,157.9 |

# Deposits

## Due to banks and other financial institutions

| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
|---|---|---|---|
| Due to banks | **8,855.3** | 6,594.1 | 10,536.6 |
| Other financial institutions | **950.9** | 1,228.3 | 1,109.9 |
| | **9,806.2** | 7,822.4 | 11,646.5 |

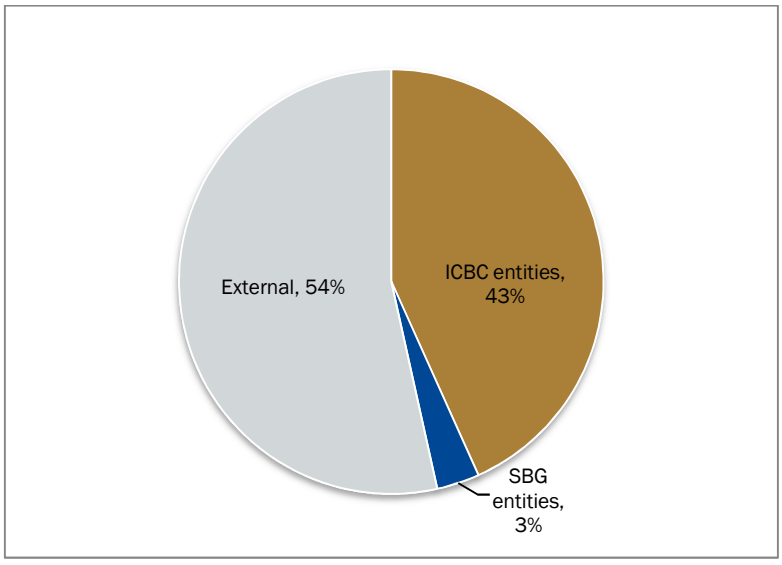
## Repurchase agreements

| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
|---|---|---|---|
| Measured at amortised cost: Banks and other financial institutions | **260.5** | 2,167.6 | 285.5 |
| Measured at FVTPL: Banks and other financial institutions | **147.7** | 454.6 | 408.1 |
| | **408.2** | 2,622.2 | 693.6 |

## Due to customers

| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
|---|---|---|---|
| Call deposits | **1,001.2** | 572.7 | 509.4 |
| Term deposits | **1,197.5** | 1,485.4 | 726.4 |
| | **2,198.7** | 2,058.1 | 1,235.8 |

## Deposit providers



# Financial instruments measured at fair value

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

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

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

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

| June 2022 | Composition % | Asset $m | Composition % | Liability $m |
|---|---|---|---|---|
| Level 1 | **19.4** | **2,722.1** | **14.7** | **1,972.8** |
| Level 2 | **79.5** | **11,136.7** | **82.6** | **11,055.1** |
| Level 3 | **1.1** | **152.1** | **2.7** | **363.2** |
| **Financial instruments at fair value** | **100.0** | **14,010.9** | **100.0** | **13,391.1** |
| Reconciled as follows: | | | | |
| FVOCI | | **834.5** | | **-** |
| Held for trading | | **9,606.3** | | **10,747.2** |
| Non-trading at fair value | | **3,570.1** | | **2,643.9** |
| | | **14,010.9** | | **13,391.1** |
| June 2021 | | | | |
| Level 1 | 24.4 | 2,999.7 | 12.5 | 1,149.8 |
| Level 2 | 73.7 | 9,074.8 | 85.3 | 7,849.8 |
| Level 3 | 1.9 | 235.8 | 2.2 | 202.3 |
| Financial instruments at fair value | 100.0 | 12,310.3 | 100.0 | 9,201.9 |
| Reconciled as follows: | | | | |
| FVOCI | | 1 381.1 | | - |
| Held for trading | | 7,474.1 | | 6,651.6 |
| Non-trading at fair value | | 3,455.1 | | 2,550.3 |
| | | 12,310.3 | | 9,201.9 |
| December 2021 | | | | |
| Level 1 | 18.0 | 2,063.7 | 8.3 | 760.2 |
| Level 2 | 80.5 | 9,212.6 | 88.3 | 8,052.1 |
| Level 3 | 1.5 | 175.5 | 3.4 | 312.8 |
| Financial instruments at fair value | 100.0 | 11,451.8 | 100.0 | 9,125.1 |
| Reconciled as follows: | | | | |
| FVOCI | | 925.5 | | - |
| Held for trading | | 6,847.8 | | 6,617.2 |
| Non-trading at fair value | | 3,678.5 | | 2,507.9 |
| | | 11,451.8 | | 9,125.1 |

# Credit quality

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

| | Performing (Group master ratings: 1-25) | | | Non-performing (Group master rating: Default) | |
|---|---|---|---|---|---|
| | Neither past due nor impaired | Past due but not specifically impaired | | Specifically impaired | Gross credit exposure |
| | | < 90 days | >= 90 days | | |
| **June 2022 – Unaudited** | $m | $m | $m | $m | $m |
| Cash and balances with central banks | 6,324.2 | - | - | - | 6,324.2 |
| Financial assets held for trading | 973.0 | - | - | - | 973.0 |
| Non-trading financial assets at fair value | 1,969.4 | - | - | - | 1,969.4 |
| Derivative financial assets | 8,633.0 | - | - | 0.3 | 8,633.3 |
| Due from banks and other financial institutions | 2,656.4 | - | - | - | 2,656.4 |
| Gross reverse repurchase agreements | 2,714.7 | - | - | - | 2,714.7 |
| Gross loans and advances to customers | 1,400.9 | - | - | - | 1,400.9 |
| Gross financial investments | 834.5 | - | - | - | 834.5 |
| Other assets | - | - | - | 78.7 | 78.7 |
| Total balance sheet exposure to credit exposure | 25,506.1 | - | - | 79.0 | 25,585.1 |
| Guarantees | | | | | 158.7 |
| Irrevocable unutilised facilities | | | | | 215.8 |
| Commodity leases | | | | | 873.2 |
| Total off-balance sheet exposure to credit risk | | | | | 1,247.7 |

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

| | Stage 1 | Stage 2 | Stage 3 | | | POCI | |
|---|---|---|---|---|---|---|---|
| | | | Substandard | Doubtful | Loss | | Total |
| **June 2022 – Unaudited** | $m | $m | $m | $m | $m | $m | $m |
| Cash and balances with central banks | 6,324.2 | - | - | - | - | - | 6,324.2 |
| Due from banks and other financial institutions | 2,603.0 | 53.4 | - | - | - | - | 2,656.4 |
| Reverse repurchase agreements | 1,114.0 | - | - | - | - | - | 1,114.0 |
| Loans and advances to customers | 1,400.9 | - | - | - | - | - | 1,400.9 |
| Financial investments | 834.5 | - | - | - | - | - | 834.5 |
| Commitments and financial guarantees given | 374.5 | - | - | - | - | - | 374.5 |
| Other assets | - | - | - | - | - | 78.7 | 78.7 |
| Total | 12,651.1 | 53.4 | - | - | - | 78.7 | 12,783.2 |

| | Performing (Group master ratings: 1-25) | | | Non-performing (Group master rating: Default) | |
|---|---|---|---|---|---|
| | Neither past due nor impaired | Past due but not specifically impaired | | Specifically impaired | Gross credit exposure |
| | | < 90 days | >= 90 days | | |
| **June 2021 – Unaudited** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Cash and balances with central banks | 2,255.4 | - | - | - | 2,255.4 |
| Financial assets held for trading | 2,634.6 | - | - | - | 2,634.6 |
| Non-trading financial assets at fair value | 1,969.1 | - | - | - | 1,969.1 |
| Derivative financial assets | 4,827.2 | - | - | 12.2 | 4,839.4 |
| Due from banks and other financial institutions | 2,277.8 | - | - | - | 2,277.8 |
| Gross reverse repurchase agreements | 3,930.9 | - | - | - | 3,930.9 |
| Gross loans and advances to customers | 626.9 | - | - | - | 626.9 |
| Gross financial investments | 1,381.1 | - | - | - | 1,381.1 |
| Other assets | - | - | - | 3.7 | 3.7 |
| Total balance sheet exposure to credit risk | 19,902.9 | - | - | 15.9 | 19,918.8 |
| | | | | | |
| Guarantees | | | | | 54.3 |
| Irrevocable unutilised facilities | | | | | 24.0 |
| Commodity leases | | | | | 1,277.7 |
| Total off-balance sheet exposure to credit risk | | | | | 1,356.0 |

| | Stage 1 | Stage 2 | Stage 3 | | | POCI | |
|---|---|---|---|---|---|---|---|
| | | | Substandard | Doubtful | Loss | | Total |
| **June 2021 – Unaudited** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Cash and balances with central banks | 2,255.4 | - | - | - | - | - | 2,255.4 |
| Due from banks and other financial institutions | 2,277.8 | - | - | - | - | - | 2,277.8 |
| Reverse repurchase agreements | 2,444.8 | - | - | - | - | - | 2,444.8 |
| Loans and advances to customers | 624.3 | 2.5 | - | - | - | - | 626.9 |
| Financial investments | 1,381.1 | - | - | - | - | - | 1,381.1 |
| Commitments and financial guarantees given | 78.3 | - | - | - | - | - | 78.3 |
| Other assets | - | - | - | - | - | 3.7 | 3.7 |
| Total | 9,061.7 | 2.5 | - | - | - | 3.7 | 9,068.0 |

Certain comparative amounts have been reclassified to conform to the current year's presentation.

# Value at risk

## Analysis of trading book market risk exposures

The following tables show the aggregated historical value at risk (VaR) for the group's trading positions. The maximum and minimum VaR amounts show the bands in which the values at risk fluctuated during the period. Stop loss triggers are designed to contain losses for individual business units by enforcing management intervention at predetermined loss levels measured against the individual high-water mark year-to-date profit and loss. Other risk measures specific to individual business units are also used.

During the period, the Russia / Ukraine conflict and resultant sanctions placed against Russia resulted in the requirement to unwind trades with certain Russian counterparties. This created a large RUB interest rate receivable, which combined with an increase in market volatility, resulted in a material increase in the 1-day and 10-day 99% VaR and Stress VaR metrics. The 1-day 99% VaR peaked at US$73.0 million on 17 March, but subsequently reduced as the bank worked to mitigate the RUB exposure. Notwithstanding this, there were no back-testing exceptions at a 99% confidence level, with the cumulative total over the last 250 days at one back-testing exception.

| | Normal VaR[2] | | | |
|---|---|---|---|---|
| **June 2022** | **Maximum[1] $m** | **Minimum[1] $m** | **Average $m** | **Period end $m** |
| Commodities | 8.3 | 0.6 | 5.0 | 1.4 |
| Foreign exchange | 13.3 | 1.1 | 3.3 | 1.8 |
| Equities | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt securities | 74.0 | 2.3 | 19.8 | 18.0 |
| Diversification benefit[4] | | | | (3.9) |
| Total | 73.1 | 5.7 | 22.9 | 17.4 |

| | Stress VaR[3] | | |
|---|---|---|---|
| | **June 2022 $m Unaudited** | June 2021 $m Unaudited | December 2021 $m Audited |
| Commodities | 2.7 | 3.6 | 6.4 |
| Foreign exchange | 4.5 | 20.8 | 5.7 |
| Equities | 0.0 | 0.0 | - |
| Debt securities | 21.3 | 18.9 | 18.6 |
| Diversification benefit[4] | (0.8) | (17.8) | (11.3) |
| Total | 27.7 | 25.5 | 19.4 |

| | Normal VaR[2] | | | |
|---|---|---|---|---|
| June 2021 | Maximum[1] $m | Minimum[1] $m | Average $m | Period end $m |
| Commodities | 4.1 | 1.4 | 2.6 | 2.6 |
| Foreign exchange | 8.3 | 2.4 | 4.0 | 3.2 |
| Equities | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt securities | 8.0 | 2.4 | 4.4 | 2.5 |
| Diversification benefit[4] | | | | (4.4) |
| Total | 9.2 | 3.6 | 5.3 | 3.9 |

| | Normal VaR[2] | | | |
|---|---|---|---|---|
| December 2021 | Maximum[1] $m | Minimum[1] $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 | - | - | - | - |
| Debt securities | 8.0 | 2.4 | 3.9 | 3.2 |
| Diversification benefit[4] | | | | (3.5) |
| Total | 9.2 | 3.2 | 5.1 | 7.6 |

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

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