ICBC Standard Bank

2023

UNAUDITED INTERIM REPORT

FOR THE PERIOD ENDED
30 JUNE 2023

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

- **Specialisation**: Deliver our strategic value to ICBC by enriching the global product offering
- **Integration**: Leverage ICBC global client base, infrastructure and balance sheet strength
- **Simplification**: Scale, build on our foundations and improve efficiency

OWNERSHIP STRUCTURE

ICBC —20%→ Standard Bank

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

Standard Bank: Pre-eminent Africa-focused financial services group

60% ICBC / 40% Standard Bank → ICBC Standard Bank

CREDIT RATING - ICBC STANDARD BANK

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

GROUP PERFORMANCE 30 JUNE 2023

$387.3m	$154.7m	16.8%
Income after Credit Impairments	**Net Profit After Tax**	**Return on Equity[1]**
$9.9bn	$23.7bn	16.3%
Total Risk Weighted Assets	**Balance Sheet Assets**	**Tier 1 Capital Adequacy Ratio**

OFFICES AND AVERAGE NUMBER OF EMPLOYEES

[1] Adjusted to remove annualization of credit recovery in the first half of 2023

Contents

Overview and summary of results

Introduction

ICBC Standard Bank Plc ("the company") and its subsidiaries (together "the group") is a financial markets and commodities 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 spanning 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 and a commodities sales presence in Shanghai.

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 related 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 structured lending 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

The global economy started off on a strong footing at the start of 2023, with falling energy prices, strong consumer balance sheets, and the reopening of the Chinese economy all contributory factors. Half year 2023 ended on a high note for investors: global equities (measured by the MSCI World) have returned around 10.0%, adjusted for US inflation, since October 2022. Similarly, bond yields have remained relatively stable since early 2023, thereby generating a positive nominal return for investors. Volatility will have likely benefited investors with sufficient risk appetite as market-driving events continued to unravel: persistent inflationary pressures are projected to weaken by the end of the year; whilst interest rate rises are still anticipated, steep interest rate hikes are no longer expected; some banks have failed; the US debt ceiling crisis has been averted; and market concerns over the pace of economic recovery in China is intensifying.

In emerging markets, economic conditions remain fragile overall, yet growth is proving more resilient relative to developed economies. Asia, in particular, should contribute the vast majority of global growth in 2023 (around 70.0%) and attract foreign direct investment in turn. The region has also emerged as more autonomous and less vulnerable to global uncertainties. In China, moderate growth and signs of waning recovery momentum in the absence of additional policy stimulus may signal structural changes towards a more sustainable long-term growth model.

In Sub-Saharan Africa, most currencies have been under significant depreciation pressure, and market sentiment moved rapidly towards the end of the first half of 2023. In particular, in Egypt, although devaluation expectations have been high with a widening gap between the parallel and official markets, authorities have demonstrated resilience and the Egyptian pound has remained stable during the period. The Nigerian naira devalued by 60.0% in mid-June; the Angolan kwanza has also devalued by close to 60.0% since mid-May, which is likely to have overshot their respective fair value but provided a much better entry point for prospective investors over the medium term. In Ghana, the IMF Board approved a new funding programme in record time, but the domestic bond market continues to see little trading in the new restructured bonds, while the terms of a new external debt transaction have not yet been announced. On the other hand, after two and a half years since declaring default, Zambia reached an agreement with its external creditors, which could be a template to follow for other countries currently in default, such as Ghana, Sri Lanka and others. In Kenya, a new central bank governor more attuned to investors' views was appointed, and market participants welcomed such a change.

The metals markets, in general, had a robust start to the year. Gold prices traded near nine-month highs in late January as precious metals continued to find support from the growing safe-haven demand and expectations of a less hawkish Federal Reserve. Similarly, base metals followed suit with the index jumping 9.0% in the first half of 2023, posting its highest level since June 2022, driven largely by seemingly dissipating macro headwinds that kept prices constrained last year. However, as markets rapidly adjusted expectations over interest rates and recovery outlook in China, global commodity prices fell 14.0% in the first quarter of 2023, dropping approximately 30.0% lower than their historic peak in June 2022. The decline in prices reflects a combination of slowing economic activity, favourable winter weather, and a global reallocation of commodity trade flows. Nonetheless, prices of all major commodity groups and four-fifths of individual commodities remain above their 2015-2019 average levels.

Oil prices have retreated from their mid-2022 peak and are expected to remain stable for the rest of 2023. At the mid-point of 2023, the price of crude oil is 35.0% below its recent record high one year ago, despite experiencing volatility and suffering much greater losses than other risk assets in March 2023. On the fundamentals side, demand is resilient but supply is surprising to the upside with US shale close to record increases in the twelve months to June 2023, plus more barrels in the export market from other oil producing countries.

Heading into the second half of 2023, global prospects remain highly uncertain. There are still several key challenges ahead in the coming months. Firstly, inflation remains stubbornly high, despite the recent moderation linked to the fall in energy prices. This in turn is likely to add to the concerns over policy mistakes by key central banks if the current hawkish rhetoric persists. Secondly, recession risks in the US and Europe remain a key concern. Various leading indicators are still suggesting a near-term recession: the inversion of yield curves, the contraction in money supply measures, and the peaking off in the financial cycle. Thirdly, financial instability risks persist. That said, whilst it is likely to be a bumpy ride for the remainder of this year, investors may well find decent opportunities across asset classes, especially in emerging market bonds.

Financial results

The group's results for the six months ended 30 June 2023 are shown in the consolidated income statement on page 9.

The profit attributable to equity shareholders for the period is US$154.7 million. This compares to a profit of US$229.4 million for the six months ended 30 June 2022 and US$317.1 million for the year ended 31 December 2022.

Income after credit impairments for the first half of 2023 of US$387.3 million was 17.4% lower than for the equivalent period in the prior year (US$468.6 million), although the prior year amount includes US$233.7 million relating to recoveries on commodity inventory intermediation activities.

Underlying Commodities revenues remained consistent with the comparative period, with a strong performance in the Metals franchise largely driven by higher vaulting and clearing revenues. The Energy business has delivered strong growth in structured financing; however, this has been offset by a reduction in collateralised financing and lower trading revenues compared to the exceptional result in the comparative period, which was a by-product of the market disruption following the Russian invasion of Ukraine.

FIC revenues were significantly higher year-on-year, principally driven by a strong performance within the FX and Rates business, which was well positioned to capture opportunities arising from volatility in US interest rates and emerging markets. Capital Markets have seen improved conditions and higher issuance volumes in both the European and American markets, while the structured financing portfolio has seen limited growth opportunities within the current market environment. The result was also supplemented by a recovery on a Russian counterparty exposure which was closed out during the period, resulting in a credit provision release.

Operating costs of US$200.7 million reflect an increase from the prior year (US$196.2 million). Staff costs have increased marginally through inflation-linked salary increases and higher headcount levels. The operating expenses decrease is primarily attributable to a favourable change in the year on year effective hedged GBP:USD foreign exchange rate, with the underlying costs reflecting inflationary increases and higher spend on infrastructure and software projects. The income tax charge for the period was US$31.9 million, which is lower than the prior year (US$43.0 million), due to decreased profits.

Total assets at 30 June 2023 were US$23.7 billion, representing a decrease of 27.4% on prior year (US$32.6 billion), yet a 4.7% increase on year end (US$22.6 billion).

The decrease on prior year of US$8.9 billion was primarily attributable to lower levels of surplus cash placed at central banks, US$3.9 billion, lower derivative asset values, US$3.9 billion, a result of the normalisation of fair value spikes generated by supply chain issues and the Russian invasion of Ukraine, which were most pronounced in the first half of the prior year. In addition to this, there has been a reduction in commodity inventories, US$1.2 billion, mainly on the Metals desk.

Total liabilities at 30 June 2023 were US$21.8 billion, representing a decrease of 29.6% on prior year (US$31.0 billion), yet a 4.3% increase on year end (US$20.9 billion).

The decrease on prior year of US$9.2 billion was largely attributable to lower derivative liability valuations, US$4.2 billion, related to the fair value spike normalisation referred to above, as well as a US$5.2 billion decrease across the three key funding lines of due to banks and other financial institutions, due to customers and repurchase agreements.

Total equity at 30 June 2023 is US$1.9 billion, representing an increase of US$272.3 million on prior year.

Capital resources

At 30 June 2023, the group's equity capital resources amounted to US$1,855.4 million (30 June 2022: US$1,583.1 million) and total capital resources qualifying for prudential purposes were US$1,857.6 million (30 June 2022: US$1,884.6 million).

The group remains strongly capitalised at 30 June 2023, with a total capital adequacy ratio of 18.8% (30 June 2022: 19.6%), a tier 1 capital ratio of 16.3% (30 June 2022: 15.4%), a common equity tier 1 (CET1) capital ratio of 14.6% (30 June 2022: 13.8%) and risk weighted assets of US$9,883.3 million (30 June 2022: US$9,639.8 million).

The group's leverage ratio at 30 June 2023, which measures tier 1 capital to a defined measure of on-balance sheet assets and certain off-balance sheet items, was 7.2% (30 June 2022: 5.3%).

Key financial results, ratios and statistics

at 30 June 2023

Income statement	**June 2023 $m**	June 2022 $m	December 2022 $m
Income after credit impairments	**387.3**	468.6	749.1
Operating expenses	**(200.7)**	(196.2)	(373.6)
Profit attributable to equity shareholders	**154.7**	229.4	317.1
Balance sheet			
Equity attributable to shareholders	**1,855.4**	1,583.1	1,682.0
Total assets	**23,690.4**	32,615.7	22,627.3
Capital adequacy			
Risk-weighted assets	**9,883.3**	9,639.8	9,251.0
Total Tier 1 capital	**1,607.6**	1,485.8	1,614.6
Tier 1 capital adequacy ratio (%)	**16.3**	15.4	17.5
Total capital adequacy ratio (%)	**18.8**	19.6	20.2

Consolidated balance sheet

at 30 June 2023

	June 2023 $m	June 2022 $m	December 2022 $m
Assets	**Unaudited**	Unaudited	Audited
Cash and balances with central banks	**2,379.1**	6,324.2	4,856.1
Due from banks and other financial institutions	**1,956.3**	2,654.2	2,182.3
Financial assets held for trading	**595.1**	973.0	702.7
Non-trading financial assets at fair value through profit or loss	**2,314.8**	1,969.4	2,193.7
Derivative financial assets	**4,749.2**	8,633.3	4,968.0
Reverse repurchase agreements	**3,291.5**	2,714.5	2,614.6
Loans and advances to customers	**747.1**	1,398.9	818.6
Financial investments	**1,956.8**	834.5	1,293.4
Property and equipment	**26.2**	41.8	34.6
Current tax assets	**1.4**	2.0	5.5
Deferred tax assets	**0.6**	0.6	0.6
Other assets	**5,672.3**	7,069.3	2,957.2
Non-financial assets held for trading – Commodities inventory	**5,416.1**	6,594.9	2,772.2
Other	**256.2**	474.4	185.0
Total assets	**23,690.4**	32,615.7	22,627.3
Liabilities and equity			
Liabilities	**21,835.0**	31,032.6	20,945.3
Financial liabilities held for trading	**1,615.2**	1,386.0	1,295.2
Non-trading financial liabilities at fair value through profit or loss	**2,943.4**	2,496.1	2,951.2
Derivative financial liabilities	**5,155.9**	9,361.2	5,352.8
Due to banks and other financial institutions	**5,651.0**	9,806.2	6,221.9
Repurchase agreements	**481.7**	408.2	530.1
Due to customers	**1,092.4**	2,198.7	1,736.5
Current tax liabilities	**15.9**	13.8	3.5
Subordinated debt	**244.9**	401.1	245.4
Other liabilities	**4,634.6**	4,961.3	2,608.7
Precious metal payables	**4,290.3**	4,680.9	2,395.5
Other	**344.3**	280.4	213.2
Equity			
Equity attributable to shareholders	**1,855.4**	1,583.1	1,682.0
Share capital	**1,083.5**	1,083.5	1,083.5
Other equity instruments	**160.0**	160.0	160.0
Reserves	**611.9**	339.6	438.5
Total liabilities and equity	**23,690.4**	32,615.7	22,627.3

Consolidated income statement

for the period ended 30 June 2023

	June 2023 $m Unaudited	June 2022 $m Unaudited	December 2022 $m Audited
Net interest income	**77.9**	45.7	98.5
Interest income	**247.7**	84.2	254.8
Interest expense	**(169.8)**	(38.5)	(156.3)
Non-interest revenue	**258.9**	428.5	711.4
Net fees and commission	**20.9**	12.9	25.4
Fees and commission income	**37.5**	21.6	43.2
Fees and commission expense	**(16.6)**	(8.7)	(17.8)
Net trading revenue	**213.6**	157.5	400.6
Net gain on financial assets and liabilities at fair value through profit or loss	**24.4**	24.4	51.7
Recoveries on commodity inventory intermediation	**-**	233.7	233.7
Total operating income	**336.8**	474.2	809.9
Credit impairment recoveries / (charges)	**50.5**	(5.6)	(60.8)
Income after credit impairments	**387.3**	468.6	749.1
Operating expenses	**(200.7)**	(196.2)	(373.6)
Staff costs	**(129.1)**	(124.5)	(223.9)
Other operating expenses	**(69.7)**	(72.2)	(147.9)
Indirect taxation	**(1.9)**	0.5	(1.8)
Profit before taxation	**186.6**	272.4	375.5
Income tax charge	**(31.9)**	(43.0)	(58.4)
Profit attributable to equity shareholders	**154.7**	229.4	317.1

Consolidated statement of comprehensive income

for the period ended 30 June 2023

	June 2023 $m Unaudited	June 2022 $m Unaudited	December 2022 $m Audited
Profit attributable to equity shareholders	**154.7**	229.4	317.1
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss[1]			
Foreign currency translation reserve	**(1.3)**	(1.6)	(2.6)
Cash flow hedging reserve[2, 3]	**18.3**	(13.2)	13.1
Effective portion of changes in fair value	**15.7**	(18.0)	(7.5)
Net amount transferred to profit or loss	**2.6**	4.8	20.6
Changes in fair value of debt instruments measured at FVOCI	**0.7**	(1.8)	(2.5)
Items that will not be reclassified subsequently to profit or loss[1]			
Gains / (losses) attributed to own credit risk	**1.0**	0.3	(0.9)
Other comprehensive gains / (losses) for the year	**18.7**	(16.3)	7.1
Total comprehensive profit attributable to equity shareholders	**173.4**	213.1	324.2

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$18.3 million is primarily attributable to fair value gains recognised directly in reserves on FX forward contracts which hedge the group's expense base, US$14.3 million – due to a strengthening of GBP sterling vs US dollar in 2023 – as well as the crystallisation of $3.7 million of losses in the P&L on maturity of FX forward contracts in 2023

Consolidated statement of changes in equity

for the period ended 30 June 2023

	Ordinary share capital $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 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 year	-	-	13.1	(2.5)	(2.6)	-	(0.9)	317.1	324.2
Coupon payment on other equity instruments[1]	-	-	-	-	-	-	-	(12.2)	(12.2)
Balance at 31 December 2022	1,083.5	160.0	8.0	(1.0)	(2.5)	(1.7)	(1.3)	437.0	1,682.0
Balance at 1 January 2023	1,083.5	160.0	8.0	(1.0)	(2.5)	(1.7)	(1.3)	437.0	1,682.0
Total comprehensive gains / (losses) for the period	-	-	18.3	0.7	(1.3)	-	1.0	154.7	173.4
Balance at 30 June 2023	**1,083.5**	**160.0**	**26.3**	**(0.3)**	**(3.8)**	**(1.7)**	**(0.3)**	**591.7**	**1,855.4**

1 Additional Tier 1 capital coupon of US$12.2 million is paid annually in December

Accounting policies

The financial results and financial position for the period ended 30 June 2023 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 2022, except as noted below. 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 2022 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.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The group has applied the exception under the amendment to IAS 12 issued by the International Accounting Standards Board in May 2023 to recognising deferred tax assets and liabilities related to top-up income taxes and will provide the additional disclosures required by the amendment to IAS 12 in its annual financial statements for the year ended 31 December 2023.

Other assets

	June 2023 $m Unaudited	June 2022 $m Unaudited	December 2022 $m Audited
Non-financial assets held for trading – Commodities inventory	**5,416.1**	6,594.9	2,772.2
Precious metals	**4,676.9**	5,350.4	2,398.4
Base metals	**263.7**	794.2	351.7
Energy	**475.5**	450.3	22.1
Other	**256.2**	474.4	185.0
Unsettled dealing balances	**145.5**	272.9	45.3
Other receivables	**79.5**	165.8	106.3
Intangible assets	**31.2**	35.7	33.4
	5,672.3	7,069.3	2,957.2

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

	June 2023 $m Unaudited	June 2022 $m Unaudited	December 2022 $m Audited
Precious metals – Stored for customers	**31,919.4**	13,567.9	33,252.0

Deposits

Due to banks and other financial institutions

	June 2023 $m Unaudited	June 2022 $m Unaudited	December 2022 $m Audited
Due to banks	**5,261.9**	8,855.3	5,412.9
Other financial institutions	**389.1**	950.9	809.0
	5,651.0	9,806.2	6,221.9

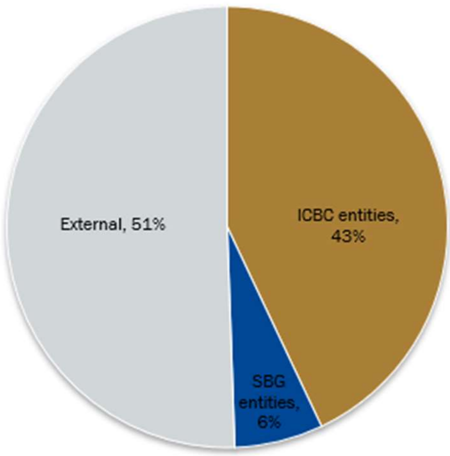
Repurchase agreements

	June 2023 $m Unaudited	June 2022 $m Unaudited	December 2022 $m Audited
Measured at amortised cost: Banks and other financial institutions	**196.8**	260.5	341.5
Measured at FVTPL: Banks and other financial institutions	**284.9**	147.7	188.6
	481.7	408.2	530.1

Due to customers

	June 2023 $m Unaudited	June 2022 $m Unaudited	December 2022 $m Audited
Call deposits	**869.1**	1,001.2	1,149.3
Term deposits	**223.3**	1,197.5	587.2
	1,092.4	2,198.7	1,736.5

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 2023	**Composition %**	**Asset $m**	**Composition %**	**Liability $m**
Level 1	**14.5**	**1,613.7**	**6.2**	**617.1**
Level 2	**83.3**	**9,247.2**	**89.8**	**8,984.2**
Level 3	**2.2**	**248.9**	**4.0**	**398.1**
Financial instruments at fair value	**100.0**	**11,109.8**	**100.0**	**9,999.4**
Reconciled as follows:				
FVOCI		**1,169.2**		**-**
Held for trading		**5,344.3**		**6,771.1**
Non-trading at fair value		**4,596.3**		**3,228.3**
		11,109.8		**9,999.4**
June 2022				
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
December 2022				
Level 1	18.0	1,917.9	7.8	768.2
Level 2	79.3	8,421.5	88.2	8,629.6
Level 3	2.7	289.3	4.0	390.0
Financial instruments at fair value	100.0	10,628.7	100.0	9,787.8
Reconciled as follows:				
FVOCI		1,293.4		-
Held for trading		5,670.7		6,648.0
Non-trading at fair value		3,664.6		3,139.8
		10,628.7		9,787.8

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 2023 – Unaudited	$m	$m	$m	$m	$m
Cash and balances with central banks	2,379.1	-	-	-	2,379.1
Financial assets held for trading	595.1	-	-	-	595.1
Non-trading financial assets at fair value	2,314.8	-	-	-	2,314.8
Derivative financial assets	4,749.0	-	-	0.2	4,749.2
Due from banks and other financial institutions	1,959.3	-	-	-	1,959.3
Gross reverse repurchase agreements	3,291.7	-	-	-	3,291.7
Gross loans and advances to customers	749.5	-	-	-	749.5
Gross financial investments	1,956.8	-	-	-	1,956.8
Other assets	-	-	-	16.2	16.2
Total balance sheet exposure to credit risk	17,995.3	-	-	16.4	18,011.7
Guarantees					114.9
Irrevocable unutilised facilities					305.4
Commodity leases					998.9
Total off-balance sheet exposure to credit risk					1,419.2

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 2023 – Unaudited	$m	$m	$m	$m	$m	$m	$m
Cash and balances with central banks	2,379.1	-	-	-	-	-	2,379.1
Due from banks and other financial institutions	1,959.3	-	-	-	-	-	1,959.3
Reverse repurchase agreements	1,010.2	-	-	-	-	-	1,010.2
Loans and advances to customers	749.5	-	-	-	-	-	749.5
Financial investments	1,956.8	-	-	-	-	-	1,956.8
Commitments and financial guarantees given	420.3	-	-	-	-	-	420.3
Other assets	-	-	-	-	-	16.2	16.2
Total	8,475.2	-	-	-	-	16.2	8,491.4

	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 risk	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

	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

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.

In 2022 the Russian invasion of Ukraine and resultant sanctions placed against Russia, resulted in the requirement to unwind trades with certain Russian counterparties. This created a large Russian rouble interest rate exposure, 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.

However, throughout 2023, the 1-day and 10-day 99% VaR metrics have trended downwards towards more normal levels, driven by the combined effects of a considerably reduced rouble exposure, and key periods of market volatility experienced in 2022 rolling out of the one-year historical window used to calibrate the VaR.

There were no negative back-testing exceptions at a 99% confidence level over the last 250 days.

			1 Day VaR[2]	
	Maximum[1]	**Minimum[1]**	**Average**	**Period end**
June 2023	**$m**	**$m**	**$m**	**$m**
Commodities	2.7	0.5	1.4	0.5
Foreign exchange	8.3	1.6	3.9	1.6
Interest rate risk (general and specific)	21.0	5.3	12.2	7.8
Diversification benefit[4]				(2.4)
Total (including diversification)	19.0	7.0	11.5	7.5

		10 Day VaR[3]	
	June	June	December
	2023	2022	2022
	$m	$m	$m
	Unaudited	Unaudited	Audited
Commodities	2.6	2.7	5.3
Foreign exchange	5.7	4.5	5.8
Interest rate risk (general and specific)	33.9	21.3	34.7
Diversification benefit[4]	(0.9)	(0.8)	(18.1)
Total (including diversification)	41.3	27.7	27.7

			1 Day VaR[2]	
	Maximum[1]	Minimum[1]	Average	Period end
June 2022	$m	$m	$m	$m
Commodities	8.3	0.6	5.0	1.4
Foreign exchange	13.3	1.1	3.3	1.8
Interest rate risk (general and specific)	74.0	2.3	19.8	18.0
Diversification benefit[4]				(3.9)
Total (including diversification)	73.1	5.7	22.9	17.4

			1 Day VaR[2]	
	Maximum[1]	Minimum[1]	Average	Year end
December 2022	$m	$m	$m	$m
Commodities	8.3	0.5	3.2	2.1
Foreign exchange	13.3	1.1	3.5	2.3
Interest rate risk (general and specific)	74.0	2.3	18.0	16.2
Diversification benefit[4]				(9.5)
Total (including diversification)	73.1	5.7	18.8	11.1

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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