INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the year ended 31 December 2015

Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China (New Zealand) Limited for the year ended 31 December 2015 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

(a) "Bank", "Registered Bank" or "ICBC (NZ)" means Industrial and Commercial Bank of China (New Zealand) Limited;

(b) "Banking Group" and "Group" means the Bank and its subsidiaries. As at the date of this disclosure statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;

(c) "ICBC", the "Ultimate Parent Bank", the "Ultimate Holding Company", the "Parent" and the "Controlling Bank" mean the Industrial and Commercial Bank of China Limited, incorporated in China;

(d) "NZD" means the New Zealand Dollar, "RMB" means the Chinese Yuan, "USD" means the United States Dollar and "AUD" means the Australian Dollar;

(e) "Board" means the board of directors of the Bank; and

(f) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The financial statements of ICBC(NZ) for the year ended 31 December 2015 form part of and should be read in conjunction with this Disclosure Statement.

This Disclosure Statement is available on the Registered Bank's website at www.icbcnz.com. In addition, any person can request a hard copy of the Registered Bank's Disclosure Statement at no charge. The copy will be provided by the end of the second working day after the day on which the request is received.

Contents

Industrial and Commercial Bank of China (New Zealand) Limited Corporate Information

Address for Service

(a) The name of the Registered Bank is the Industrial and Commercial Bank of China (New Zealand) Limited and its registered address with the Companies Office is:

Industrial and Commercial Bank of China (New Zealand) Limited
PWC Tower, Level 11, 188 Quay Street,
Auckland 1010, New Zealand

(b) The Bank's website address is www.icbcnz.com

Nature of Business

The Bank was incorporated on 13 March 2013 and was granted a banking licence on 19 November 2013 by the Reserve Bank of New Zealand. The Bank currently provides a range of banking and financial products to retail, corporate and institutional customers.

Details of Ultimate Parent Bank and Ultimate Holding Company

(a) Ultimate Parent Bank

The Bank's ultimate parent bank is the Industrial and Commercial Bank of China Limited, incorporated in China (ICBC). ICBC is subject to regulatory oversight by the China Banking Regulatory Commission (CBRC) and the Government of the People's Republic of China (China). ICBC is not a New Zealand registered bank and is not subject to regulatory oversight by the Reserve Bank of New Zealand.

The registered address of ICBC is:

55 FuXingMenNei Street,
Xicheng District, 100140,
Beijing,
People's Republic of China

(b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

(c) Shareholding in ICBC

As at 30 September 2015, 68.11% of total shares in ICBC are owned by the Chinese government. The remaining 31.89% of the shares in ICBC is held by public shareholding. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Further details concerning the shareholdings in ICBC are on the ICBC website: www.icbc.com.cn

(d) Annual Report of ICBC

A copy of the latest ICBC annual report is on the ICBC website: www.icbc.com.cn

(e) Summary on restrictions of supporting the Bank

There are no legislative, regulatory or other restrictions of a legally enforceable nature in China that may materially inhibit the legal ability of ICBC to provide material financial support to the Bank.

Interests in 5% or more of voting securities of Registered Bank

The Bank is a wholly-owned subsidiary of ICBC.

Subordination of Claims of Creditors

Priority of claims in the event of liquidation

In the unlikely event that the Bank is put into liquidation or ceases trading, claims of secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Bank.

Guarantee

Guarantee arrangements

As at the date of this Disclosure Statement, the Bank is guaranteed by ICBC.

A copy of the guarantee arrangement between the Bank and ICBC is attached (**Appendix 2**).

Details of the guarantor (Parent)

(a) The guarantor is ICBC. ICBC is the Bank's Ultimate Parent Bank and Ultimate Holding Company. ICBC is not a member of the Banking Group.

The address for service of ICBC is:

55 FuXingMenNei Street,
Xicheng District, 100140,
Beijing, People's Republic of China

As at 30 September 2015, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 1,690,652 million (per three quarterly report financial - unaudited) (NZ$416,616 million), representing 14.43% of risk weighted exposure.

(b) Credit Rating

ICBC "The Ultimate Parent Bank" has the following credit ratings applicable to its long-term senior unsecured obligations:

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's Corporation	Fitch IBCA, Inc.
Long-term Foreign Currency Bank Deposits Rating	A1 (Upper-medium grade and low credit risk)	A (Strong Capacity to meet obligation but subject to adverse economic conditions)	A (Strong Capacity to meet obligation but vulnerable to adverse business or economic conditions)
Short-term Foreign Currency Bank Deposits Rating	P-1 (Superior ability to repay short-term debt)	A-1 (susceptible to adverse economic conditions but satisfactory capacity to meet obligations)	F1 (strongest capacity for timely payment of financial commitments)
Outlook	Negative	Stable	Stable

(c) Rating movement history

There has not been any Standard & Poor's Credit rating movement in the last 2 years.
On 2 March 2016, Moody's Investors Service changed the "Outlook" rating to "Negative" from "Stable", reflecting the change to outlook on Chinese Sovereign rating. No changes were made to any other ratings.

Details of the guaranteed obligations (Parent)

ICBC fully guarantees due payment of all indebtedness of the Bank to the Bank's depositors and other creditors.

(a) There are no limits on the amount of the obligations guaranteed.

(b) Termination of the guarantee under any of the circumstances outlined in clause 6 Termination of the Guarantee is subject to satisfaction of the relevant obligations in respect of each creditor which have been incurred on or prior to the date of termination.

(c) There are no material legislative or regulatory restrictions in China that would have the effect of subordinating the claims of the Bank's creditors under the guarantee to other claims on ICBC in a winding up of ICBC.

(d) The ICBC guarantee does not have an expiry date.

Directors

The responsible person authorised to sign the Disclosure Statement on behalf of the Board, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, is Donald Thomas Brash (Chairman, Independent director).

The Board comprises:

- Donald Thomas Brash, Chairman, Independent director
- Martin Philipsen, Independent Director
- John Glenn Dalzell, Independent Director
- Qian Hou, Executive Director
- Hongbin Liu, Non-Executive Director
- Xuening Yang, Non-Executive Director

Details of the changes of the composition of the board are as follows:

- Qian Hou, on 22 April 2015, the Bank received RBNZ's non-objection confirmation relating to the appointment of the Bank's replacement Chief Executive Officer & General Manager and Executive Director.
- Xuening Yang, on 4 May 2015, RBNZ issued a non-objection confirmation for the appointment of Mr Xuening Yang as a non-independent/non-Executive Director. The Board approved Mr Yang's appointment on 28 May 2015.
- Jun Jing, resigned as Chief Executive Officer & General Manager and Executive Director on 28 April 2015.

Directors' Details

The name, occupation, technical or professional qualifications, country of residence, and directorships of each director of the Bank as at the date of this Disclosure Statement are as follows:

Independent Director, Chairman
Donald Thomas Brash
Consultant & Company Director
Ph.D. in Economics
Auckland
New Zealand

Directorships:
Troika Family Trust Nominees Limited, Brash Consultancy Services Limited, Brash Forestry Limited, Troika Books Limited, Eljean's Orchard Limited

Executive Director
Qian Hou
Executive Director & Chief Executive Officer
Master of Economics
Auckland
New Zealand

Directorships:
ICBC Standard Bank Plc, ICBC Indonesia

Independent Directors
Martin Philipsen
Company Director
BCA, C.A., C.M.A.
Auckland
New Zealand

Directorships:
Fundit Holdings Limited, Te Toroa Limited, Philipsen Consulting Limited, Fundit Limited, Angel Advisers Limited, Investit.co.nz Limited

John Glenn Dalzell
Chief Executive Waterfront Auckland
BPA, Registered Valuer
Auckland
New Zealand

Directorships:
Ursus Holdings Limited, Bare Essentials Limited, Dalzell Family Trust

Non-Executive Directors
Xuening Yang
Deputy General Manager, Administration Office of Directors and Supervisors to Subsidiaries, ICBC Head Office
Master of Economics
Beijing
China

Directorships:
ICBC Brazil, ICBC Bank Peru SA

Hongbin Liu
Chief Executive ICBC Sydney
M.A., M.Applied Finance
Sydney NSW
Australia

Directorships:
Nil

Board Audit Committee
Members of the Board Audit Committee at the date of this Disclosure Statement were:

Martin Philipsen (Chair)	Independent Director
Donald Thomas Brash	Independent Director
Xuening Yang	Non-Executive Director

Board Remuneration Committee
Members of the Board Remuneration Committee at the date of this Disclosure Statement were:

John Glenn Dalzell (Chair)	Independent Director
Donald Thomas Brash	Independent Director
Hongbin Liu	Non-Executive Director
Qian Hou	Executive Director

Board Risk Committee
Members of the Board Risk Committee at the date of this Disclosure Statement were:

Donald Thomas Brash (Chair)	Independent Director
Martin Philipsen	Independent Director
Qian Hou	Executive Director
Xuening Yang	Non-Executive Director

Policy for Avoiding and Dealing with Conflicts of Interest
The policy and current practice of the Board of Directors of the Bank for avoiding or dealing with conflicts of interest which may arise from the personal, professional or business interests of the Directors, or any of them, are that, where a Director's judgement could potentially be impaired because a conflict of interest exists between the Director's business and personal affairs and the business affairs of the Bank, then that Director must declare that the conflict of interest exists and leave the meeting for the duration of the Board's discussion and voting on the relevant matter.

The Companies Act 1993 requires that each Director cause to be entered in the interests register and disclose to the Board of the Bank:

- The nature and monetary value of the Director's interest in a transaction or proposed transaction if its monetary value is able to be quantified; or
- The nature and extent of the Director's interest in a transaction or proposed transaction if its monetary value is not able to be quantified.

Directors' Benefits
There is no transaction which any Director or immediate relative or close business associate of any Director has with the Bank or any member of the Banking Group which either has been entered into on terms other than those which would, in the ordinary course of business of the Bank or any member of the Banking Group, be given to any person of like circumstances or means, or could otherwise be reasonably likely to influence materially the exercise of their Director's duties.

Information pertaining to loans to and other transactions with Directors is disclosed in note 28 of this Disclosure Statement.

Auditor

The name and address of the auditor whose independent auditor's report is referred to in this disclosure statement is:

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland 1140 New Zealand

Conditions of Registration for Industrial and Commercial Bank of China (New Zealand) Limited

These conditions of registration apply on and after 1 November 2015. The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the Bank") as a registered bank is subject to the following conditions:

1. That -

(a) the Total capital ratio of the Banking Group is not less than 8%;
(b) the Tier 1 capital ratio of the Banking Group is not less than 6%;
(c) the Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5%;
(d) the Total capital of the Banking Group is not less than $30 million;
(e) the Bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued after 1 January 2013 in the calculation of its capital ratios unless it has received a notice of non-objection to the instrument from the Reserve Bank; and

(f) the Bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

For the purposes of this condition of registration, -

the Total capital ratio, the Tier 1 capital ratio, and the Common Equity Tier 1 capital ratio and Total capital must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 8(2)(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection 9(2)(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015.

1A. That -

(a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')" (BS12) dated December 2007;

(b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015; and

(c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That, if the buffer ratio of the Banking Group is 2.5% or less, the bank must:

(a) according to the following table, limit the aggregate distributions of the bank's earnings to the percentage limit to distributions that corresponds to the Banking Group's buffer ratio:

Banking Group's buffer ratio	Percentage limit to distributions of the bank's earnings
0% – 0.625%	0%
>0.625 – 1.25%	20%
>1.25 – 1.875%	40%
>1.875 – 2.5%	60%

(b) prepare a capital plan to restore the Banking Group's buffer ratio to above 2.5% within any timeframe determined by the Reserve Bank for restoring the buffer ratio; and

(c) have the capital plan approved by the Reserve Bank.

For the purposes of this condition of registration –

"buffer ratio", "distributions", and "earnings" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities. In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the Banking Group's insurance business is the sum of the following amounts for entities in the Banking Group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the Banking Group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration –

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating of the bank[1]	Connected exposure limit (% of the Banking Group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the Banking Group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated November 2015.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

(a) the board of the bank must have at least five directors;
(b) the majority of the board members must be non-executive directors;
(c) at least half of the board members must be independent directors;
(d) an alternate director,—

(i) for a non-executive director must be non-executive; and
(ii) for an independent director must be independent;

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
(f) the chairperson of the board of the bank must be independent;

[1] This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.)

(g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank); and
(h) that the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank.

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
   (b) the committee must have at least three members;
   (c) every member of the committee must be a non-executive director of the bank;
   (d) the majority of the members of the committee must be independent; and
   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:

   (a) the one-week mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day;
   (b) the one-month mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day; and
   (c) the one-year core funding ratio of the Banking Group is not less than 75 per cent at the end of each business day.

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2014 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

   (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
   (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
   (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
   (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

13. That no more than 10% of total assets may be beneficially owned by a SPV.

   For the purposes of this condition -

   "total assets" means all assets of the Banking Group plus any assets held by any SPV that are not included in the Banking Group's assets:

   "SPV" means a person—

(a) to whom any member of the Banking Group has sold, assigned, or otherwise transferred any asset;
(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond:

"covered bond" means a debt security issued by any member of the Banking Group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

14. That -

(a) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

15. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of APIL with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of APIL arising in the loan-to-valuation measurement period.

16. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of ANPIL with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of ANPIL arising in the loan-to-valuation measurement period.

17. That, for a loan-to-valuation period, the total of the Bank's qualifying new mortgage lending amount in respect of non-Auckland loans with a loan-to-valuation ratio of more than 80% must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non-Auckland loans arising in the loan-to-valuation measurement period.

18. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration, -

"Banking Group" - means Industrial and Commercial Bank of China (New Zealand) Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" - has the same meaning as in section 8 of the Financial Reporting Act 2013 (unless paragraph (b) applies).

In conditions of registration 15 to 18 -

"ANPIL", "APIL", "loan-to-valuation ratio", "non-Auckland loan", "qualifying new mortgage lending amount in respect of [...]" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated November 2015:

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of April 2016.

Non-compliance with conditions of registration

The Bank's Condition of Registration requirement on connected party credit exposure limit was breached, between 4 February and 9 February 2015 when a large customer remittance was received in a related party Nostro account. The connected party exposure limit of 40% was exceeded by 14% for 6 days.

Pending Proceedings or Arbitration

As at the date of this Disclosure Statement, there are no pending legal proceedings or arbitrations concerning any member of the Registered Bank's Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Registered Bank or any other member of the Banking Group.

Credit Ratings

ICBC NZ Rating Information

On 28 August 2015, Moody's Investors Service upgraded the Bank's long-term Bank deposits, senior unsecured and issuer ratings to A1 from A2.The Bank's Short-term Bank deposits and issuer ratings were affirmed at P-1.
On 4 March 2016, Moody's Investors Service changed the "Outlook" rating to "Negative" from "Stable", reflecting the change to the outlook on Chinese Sovereign rating. No changes were made to any other ratings.

Rating Agency/Rating Results	Standard & Poor's Ratings Services	Moody's Investors Service, Inc.
Long-term credit Rating	A	A1
Short-term credit Rating	A-1	P-1
Outlook	Stable	Negative

There have been no changes to the credit ratings or rating outlook assigned by Standard & Poor's Ratings Services since the ratings were obtained on 2 July 2013.

A credit rating is not a recommendation to buy, sell or hold securities of the Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in the Bank's securities are cautioned to evaluate each rating independently of any other rating.

Rating Information

The following is a summary of the descriptions of the major ratings categories of each rating agency for the rating of long-term senior unsecured obligations:

Fitch IBCA, Inc.	Standard & Poor's Corporation	Moody's Investors Service, Inc.	Description of Rating[1,2]
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	AA	Aa	Very strong ability to repay principal and interest in a timely manner.
A	A	A	Strong ability to repay principal and interest although susceptible to adverse changes in economic, business or financial conditions.
BBB	BBB	Baa	Adequate ability to repay principal and interest. More vulnerable to adverse changes (lowest "investment grade").
BB	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and greater likelihood of default.
CCC	CCC	Caa	Likelihood of default considered high Timely repayment of principal and interest depends on favourable financial conditions.
CC-C	CC – C	Ca-C	Highest risk of default.
RD to D	D	-	Obligation currently in default.

[1] Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, or (3) in lower end. Fitch and S&P apply plus (+) or minus (-) signs to ratings from "AA" to "CCC" to indicate relative standing within the major rating categories.
[2] Credit ratings are statements of opinion issues by rating agencies. A credit rating is not a statement of fact, an endorsement of the rated entity, or a recommendation to buy, hold, or sell securities. Analytic services provided by rating agencies are the result of separate activities designed to preserve the independence and objectivity of rating opinions.

Historical Summary of Financial Statements

Thousands of dollars	31 December 2015 12 mths	31 December 2014 12 mths	31 December 2013 3 mths	30 September 2013 7 mths
Income Statement				
Interest Income	12,903	3,621	462	2
Interest Expense	(6,838)	(656)	(1)	(1)
Net Interest Income	6,065	2,965	461	1
Net gains/(losses) on financial instruments at fair value through P&L	(9.778)	20	-	-
Other Operating Income	10.443	611	(4)	1
Total operating income	6,730	3,596	457	1
Operating expenses	(8,918)	(6,046)	(518)	(127)
Impairment charges on loans	(768)	(483)	-	-
Net profit/(loss) before taxation	(2,956)	(2,933)	(61)	(126)
Taxation (expense)/ benefit	-	(42)	-	-
Net profit/(loss) after taxation	(2,956)	(2,975)	(61)	(126)
Net profit or loss attributable to non-controlling interests	-	-	-	-
Ordinary Dividend	-	-	-	-
Significant balance sheet items				
Total Assets	741,737	670,476	60,996	60,726
Total Liabilities	687,477	613,260	805	474
Total Equity	54,260	57,216	60,191	60,252
Asset Quality				
Individually Impaired Assets	-	-	-	-

The information presented in the above table has been extracted from audited financial statements that have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Other Material Matters

The Registered Bank's Directors are of the opinion that there are no other matters relating to the business or affairs of the Registered Bank or its Banking Group that are not contained elsewhere in this Disclosure Statement and which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Registered Bank or any member of the Banking Group is the issuer. Also, refer to Note 20 Balances with Related Entity.

Directors' Statements

Each Director of the Registered Bank states that he or she believes, after due enquiry, that:

1. As at the date on which the Disclosure Statement is signed:
   - (a) The Disclosure Statement contains all the information that is required by the "Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended)", ("the Order"); and
   - (b) The Disclosure Statement is not false or misleading.
2. During the year ended 31 December 2015:
   - (a) the Registered Bank has complied with all conditions of registration that applied during the period, except as disclosed on page 11 of this Disclosure Statement;
   - (b) Credit exposures to connected persons were not contrary to the interest of the Banking Group; and
   - (c) The Registered Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 30 March 2016 and has been signed by Donald Thomas Brash as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Donald Thomas Brash
Independent Director, Chairman

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the year ended 31 December 2015

Contents

Independent auditor's report

To the Shareholder of Industrial and Commercial Bank of China (New Zealand) Limited

Report on the bank disclosure statement

We have audited the accompanying financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy) of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") on pages 17 to 79 of the disclosure statement. The financial statements comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information of the bank. The supplementary information comprises the information that is required to be disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (the "Order").

This report is made solely to the Shareholder as a body. Our audit work has been undertaken so that we might state to the Shareholder of the bank those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholder of the bank as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the disclosure statement

The directors are responsible on behalf of the bank for the preparation of the bank disclosure statement, including financial statements prepared in accordance with Clause 24 of the Order and generally accepted accounting practice in New Zealand, and that is a fair presentation of the matters to which they relate. The directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the bank financial statements that are free from material misstatement whether due to fraud or error.

The directors are responsible on behalf of the bank for the preparation and fair presentation of supplementary information, in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order.

Auditor's responsibility

Our responsibility is to express an opinion on the disclosure statement, including the financial statements prepared in accordance with Clause 24 of the Order and the supplementary information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the bank financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the bank financial statements (excluding the supplementary information relating to Capital Adequacy). The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the bank's preparation of the financial statements that present fairly the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on financial statements

In our opinion the financial statements of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") on pages 17 to 79:

- complies with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position as at 31 December 2015 and its financial performance and cash flows for the year ended on that date.

Opinion on supplementary information (excluding supplementary information relating to Capital Adequacy)

In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy) that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order, and is included within notes 27, 29, 35, 36, 37 and 38 of the disclosure statement:

- has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any conditions of registration;
- is in accordance with the books and records of the bank in all material respects; and
- fairly states the matters to which it relates in accordance with those Schedules.

Review report on the supplementary information relating to Capital Adequacy

We have reviewed the capital adequacy information, as disclosed in note 38 of the disclosure statement for the year ended 31 December 2015.

Directors' responsibility for the supplementary information relating to Capital Adequacy

The directors are responsible on behalf of the bank for the preparation of supplementary information relating to capital adequacy that is required to be disclosed under Schedule 9 of the Order and prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and described in note 38 of the disclosure statement.

Auditor's responsibility

Our responsibility is to express an opinion on the capital adequacy information based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* issued by the New Zealand External Board. As the auditor of Industrial and Commercial Bank of China (New Zealand) Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements and plan and perform the review to obtain limited assurance about whether the capital adequacy information is, in all material respects:

- prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- disclosed in accordance with Schedule 9 of the Order.

A review is limited primarily to enquiries of bank personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit in respect of the capital adequacy disclosures, and accordingly, we do not express an audit opinion on these disclosures.

A review of the capital adequacy information in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the supplementary information relating to capital adequacy disclosures.

Review opinion on the supplementary information relating to Capital Adequacy

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy, disclosed in note 38 of the disclosure statement, is not, in all material respects:

- prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- disclosed in accordance with Schedule 9 of the Order.

Report on other legal and regulatory requirements

In accordance with the requirements of clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the bank, as far as appears from our examination of those records.

Independence

Our firm has provided other services to the bank in relation to review of the bank's compliance with its conditions of registration and review of the half year and off quarter disclosure statements. Subject to certain restrictions partners and employees of our firm may also deal with the bank on normal terms within the ordinary course of trading activities of the business of the bank. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the bank. These matters have not impaired our independence as auditors of the bank. The firm has no other relationship with, or interest in, the bank.

KPMG

Auckland

30 March 2016

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015		**Audited**	**Audited**
Thousands of dollars	Note	**31 December 2015**	**31 December 2014**
Interest Income	2	12,903	3,621
Interest Expense	2	(6,838)	(656)
Net Interest Income		**6,065**	**2,965**
Net gains/ (losses) on financial instruments at fair value through P&L	3	(9,778)	20
Other Income	4	10,443	611
Total operating income		6,730	3,596
Operating expenses	5	(8,918)	(6,046)
Impairment provisioning on loans and advances to customers	6	(768)	(483)
Net profit/(loss) before taxation		(2,956)	(2,933)
Taxation (expense)/ benefit	7	-	(42)
Net profit/(loss) after taxation		**(2,956)**	**(2,975)**
Net change in available-for sale reserve (net of tax)		-	-
Net change in cash-flow hedge reserve (net of tax)		-	-
Foreign currency translation reserve		-	-
Total other comprehensive income		-	-
Total comprehensive income		**(2,956)**	**(2,975)**

Statement of Changes in Equity

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the year ended 31 December 2015 (audited)				
Balance at the beginning of the period	26	60,378	(3,162)	57,216
Net profit/(loss) for the year		-	(2,956)	(2,956)
Total comprehensive income for the period		-	(2,956)	(2,956)
Balance at 31 December 2015	26	60,378	(6,118)	54,260
For the year ended 31 December 2014 (audited)				
Balance at the beginning of the period	26	60,378	(187)	60,191
Net profit/(loss) for the year		-	(2,975)	(2,975)
Total comprehensive income for the period		-	(2,975)	(2,975)
Balance at 31 December 2014	26	60,378	(3,162)	57,216

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STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Audited 31 December 2015	Audited 31 December 2014
Assets			
Cash, cash equivalents and balances with central banks	9	86,816	376,620
Amounts due from related parties	20	-	246
Due from banks and other financial institutions	10	265,908	205,000
Financial assets designated at fair value through profit or loss	14	-	-
Financial assets held for trading	14	-	-
Financial assets held to maturity	12	4,942	-
Available-for-sale assets	12	-	-
Derivative Financial Assets	14	665	20
Loans and advances to customers	13	379,889	85,696
Property, plant and equipment	16	1,401	1,879
Intangible assets	17	4	7
Current taxation	8	81	-
Deferred tax assets	8	-	-
Other assets	18	2,031	1,008
Total assets		**741,737**	**670,476**
Liabilities			
Due to central banks and other financial institutions	19	1	1
Amounts due to related parties	20	460,976	547,019
Financial liabilities held for trading	14	-	-
Derivative Financial Liabilities	14	8,982	-
Deposits from customers	21	127,337	13,318
Certificates of Deposit	22	14,884	-
Debt securities issued	22	70,411	50,000
Deferred tax liabilities	8	-	-
Other liabilities	23	4,886	2,922
Total liabilities		687,477	613,260
Shareholder's equity			
Share capital	26	60,378	60,378
Reserves	26	(6,118)	(3,162)
Total shareholder's equity		54,260	57,216
Total shareholder's equity and liabilities		**741,737**	**670,476**
Total interest earning and discount bearing assets	29	701,255	667,094
Total interest and discount bearing liabilities	30	605,573	604,202

The accounting policies and other notes (1-38) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 30 March 2016 and are signed on their behalf by:

Donald T. Brash

Donald Thomas Brash
Independent Director, Chairman

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2015 Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Cash flows from operating activities		
Interest income	12,052	3,220
Other income	9,192	734
Personnel expenses	(4,443)	(1,916)
Other operating expenses	(3,400)	(2,308)
Interest expense	(5,522)	(97)
Taxes paid	(82)	(42)
Net cash flows from operating activities before changes in operating assets and liabilities	**7,797**	**(409)**
Changes in operating assets and liabilities arising from cash flow movements:		
(Increase)/decrease in financial assets held for trading	-	-
(Increase)/decrease in loans and advances to customers	(294,961)	(86,179)
(Increase)/decrease in amounts due from other financial institutions	-	-
Increase / (decrease) in deposits from customers	114,019	13,318
Increase/(decrease) in amounts due to related parties	(86,043)	547,019
Increase/ (decrease) in amounts due to financial institutions	-	1
(Increase) / decrease in other assets	-	100
Increase/(decrease) in other liabilities	(144)	271
(Increase)/decrease in amounts due from related parties	246	(246)
Increase / (decrease) in certificates of deposit	14,884	-
Net change in operating assets and liabilities	**(251,999)**	**474,284**
Net cash flows from operating activities	**(244,202)**	**473,875**
Cash flows from investing activities		
Purchase of property, plant and equipment	(137)	(360)
Purchase of intangible software assets	-	-
Purchase of assets held to maturity	(4,964)	-
Net cash flows from investing activities	(5,101)	(360)
Cash flows from financing activities		
Issue of shares	-	-
Capital injection from shareholders	-	-
Proceeds from related parties	-	-
Increase in debt securities issued	20,407	50,000
Dividends paid	-	-
Net cash flows from financing activities	20,407	50,000
Increase/(Decrease) in cash and cash equivalents	(228,896)	523,515
Cash and cash equivalents at beginning of year	581,620	58,105
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of year	**352,724**	**581,620**
Cash and cash equivalents at end of year comprised:		
Cash and liquid assets	86,816	376,620
Due from central banks and other institutions classified as cash equivalents	265,908	205,000
Total cash and cash equivalents	**352,724**	**581,620**

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STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015 Thousands of Dollars	Audited 31 December 2015	Audited 31 December 2014
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net profit/(loss) after taxation	**(2,956)**	**(2,975)**
Non cash movements:		
Unrealised fair value adjustments	193	(20)
Depreciation	615	561
Amortisation of intangibles	3	4
Amortisation of financial instruments	25	-
Increase in collective allowance for impairment losses	768	483
Increase in individual allowance for impairment losses	-	-
(Increase)/decrease in deferred expenditure	-	-
Unsecured lending losses	-	-
Unrealised foreign exchange loss/(gain)	8,144	-
(Increase)/decrease in deferred taxation	-	-
Interest expense on debt securities issued	-	-
Increase in operating assets and liabilities	**9,748**	**1,028**
(Increase)/decrease in interest receivable	(1,166)	(443)
Increase/(decrease) in payable accruals	1,251	625
(Increase)/decrease in loans and advances	(294,961)	(86,179)
(Increase)/decrease in amounts due from other financial institutions	-	-
Increase/(decrease) in deposits and other borrowings	114,019	13,318
Increase/(decrease) in certificates of deposit	14,884	-
Increase/(decrease) in amounts due to other financial institutions	-	1
Increase/(decrease) in other liabilities	713	1,493
Increase/(decrease) in amounts due to related parties	(86,043)	547,019
(Increase)/decrease in current taxation	(82)	-
(Increase)/decrease in other assets	145	234
(Increase)/decrease in amounts due from related parties	246	(246)
Net cash flows from operating activities	**(244,202)**	**473,875**

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Note 1 - Statement of Accounting Policies

(1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank"). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements for the period ended 31 December 2015 are for the 12 month period between 1 January 2015 to 31 December 2015.

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). They were approved for issue by the Directors on 30 March 2016. The address of the Bank's registered office is PWC tower, Level 11, 188 Quay Street, Auckland 1010, New Zealand. The Bank provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

The Bank's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to the International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with the International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value, as further explained in the respective accounting policies below. The carrying values of recognised assets and liabilities, that are hedged in fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(3) Presentation Currency

The reporting currency of these financial statements and notes is New Zealand dollars, the currency of the primary economic environment in which the Bank operates (" the functional currency"). The financial statements are presented in New Zealand dollars and rounded to the nearest thousands ($'000) unless otherwise stated.

(4) Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. Management is required to make judgements on accounting policies and estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. These estimates and associated assumptions are based on historical experience and various other facts appropriate to the particular circumstances. Actual results may differ from these estimates.

Estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The information about estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following accounting policies and notes:

- Impairment Allowance (Note 6)
- Deferred Taxation (Note 8)
- Classification of Financial Instruments (Accounting Policies and Note 12)

(5) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currency translation
Foreign currency transactions are translated into the functional currency (NZD) using the exchange rates prevailing at the date of the transaction or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated into NZD at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

(b) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

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Note 1 - Statement of Accounting Policies (continued)

(i) Interest income and expense
For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset or a book of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Lending Fees
Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

(iii) Commission and Other Fees
The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) **Fee income on transactions conducted or from services provided over a period of time**
Fee income is recognised on the basis of when the transaction is completed or on an accrual basis when the service is provided over a period of time. These fees mainly include fee income on settlement and clearing business, commission income and fee income on asset management, custody and other management advisory services.

(ii) **Fee income from providing transaction services**
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iv) Other Income
Dividend income is recorded in the statement of comprehensive income when the Bank's right to receive the dividend is established. Realised and unrealised gains and losses from re-measurement of financial instruments at fair value through profit or loss are disclosed separately in the profit and loss.

(c) Expense recognition
Operating lease payments are recognised in the profit and loss on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern of the benefit received. All other expenses, excluding interest expense, are recognised in the statement of comprehensive income on an accrual basis.

(d) Financial Assets

<u>Classification</u>
At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Cash, cash equivalents and balances with central banks
Cash, cash equivalents, and balances with central banks include cash and cash at bank, settlement account balance with central bank and other financial institutions.

(ii) Due from banks and other financial institutions
Due from banks and other financial institutions includes term deposits with other financial institutions.

(iii) (a) Financial assets at fair value through profit or loss
Assets in this category are either held for trading or designated at fair value through profit or loss at inception. A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(a) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or from recognising the gains and losses on them on different bases;

(b) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or

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Note 1 - Statement of Accounting Policies (continued)

(c) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss. Financial assets designated at fair value through profit or loss might include debt securities and other debt instruments. Financial liabilities designated at fair value through profit or loss might include wealth management products, structured deposits, notes payable, and certificates of deposit.

These assets are measured at fair value after initial recognition. Realised and unrealised income or expenses are recognised in the profit or loss.

(iii) (b) Financial assets held for trading
A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; or
(c) it is a derivative.

Financial assets held for trading might include debt securities, equity investments and derivatives that are not designated as effective hedging instruments.

Financial assets held for trading are measured at fair value after initial recognition. Realised or unrealised income or expenses are recognised in the profit or loss. Derivatives are separately presented and disclosed in the financial statements.

(iii) (c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Bank has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in the profit or loss when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the Bank to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

(iii) (d) Available for Sale
Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified as loans and receivables, held to maturity or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest rate method and are taken to the profit or loss as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to the profit or loss. Dividend and interest income on available-for-sale financial assets are recorded in the profit or loss.

In the case of an equity investment classified as available for sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

(iii) (e) Derivative Assets
Derivative instruments are contracts whose value is derived from one or more underlying variables such as a special interest rate or index as defined in the contract. Derivative assets are measured at fair value through profit or loss.

(iii) (f) Held to Maturity
Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Bank has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the profit or loss when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process. All the held-to-maturity financial investments are bond investments. The Bank shall reclassify any remaining held-to-maturity investments as available for sale and shall not classify any financial assets as held to maturity during the current financial year or during the two preceding financial years, if the Bank has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

(i) is so close to maturity or the financial asset's call date (for example, less than three month before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

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Note 1 - Statement of Accounting Policies (continued)

(ii) occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
(iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Impairment of Financial Assets
An assessment on carrying amount of financial assets is made at the end of each reporting period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets and have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and shall include the value of any relevant collateral. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the profit or loss.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

When an item of loans and receivables is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment in the profit or loss.

Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in the profit or loss. In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, the amount of impairment loss is recognised in the profit or loss. Impairment losses on these assets are not reversed.

Available-for-sale financial assets
If there is objective evidence that the financial asset is impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from other comprehensive income and recognised in the profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Bank considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Bank considers the time period and continuity of the magnitude of the decline to evaluate whether the decline in fair value is prolonged. More significantly the fair value declines relative to the cost, the less the volatility moves, and the longer the decline lasts or the more obvious the continuity of the magnitude of the decline is, the more likely the equity investment impairs. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised as other comprehensive income.

In the case of debt instruments classified as available for sale, if, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impaired loss is reversed through the profit or loss.

KPMG

Note 1 - Statement of Accounting Policies (continued)

(e) Financial Liabilities

Classification
At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss, and other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Liabilities are recorded initially at fair value, plus transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit before taxation over the period of borrowing using the effective interest method.

(i) Financial liabilities at fair value through profit or loss
Liabilities in this category are either held for trading or designated at fair value through the profit or loss at inception. A financial liability is classified in this category if entered into principally for the purpose of selling in the short-term, if it eliminates an accounting mismatch or if it is managed by the Bank on a fair value basis.

Derivative liabilities that do not meet the criteria for hedge accounting are classified as held for trading and measured at fair value through profit or loss.

(ii) Other financial liabilities
This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost and include:

Due to central banks and other financial institutions/Amount due to related parties
This represents amounts due to other banks, apart from those designated as at fair value through profit or loss.

Deposits from customers
Deposits from customers cover all forms of funding, apart from those classified as at fair value through profit or loss and include transactional and savings accounts, term deposits and credit balances on cards.

Other liabilities
Other liabilities include the accrual of interest coupons and fees payable. For derivatives, any accrued interest is recognised and measured as part of the derivative's fair value.

Debt Securities Issued/Certificates of deposit
Debt Securities Issued is recognised in the balance sheet including accrued interest. When fair value hedge accounting is applied to fixed rate debt securities issued, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Transaction cost, specifically debt issue costs, include costs incurred directly attributable to the issuance of the debt, such as legal costs and lead manager fee.

Derecognition of financial assets and liabilities
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Bank has transferred substantially all the risks and rewards of ownership of the financial asset; or the Bank has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

KPMG

Note 1 - Statement of Accounting Policies (continued)

(f) Derivative financial instruments and hedge accounting

Derivatives
The Bank uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

Hedge Accounting
At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Derivative transactions, which provide effective economic hedges under the Bank's risk management positions, but do not qualify for hedge accounting under IAS 39 are treated as derivatives held for trading with fair value gains or losses recognised in the profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Bank's accounting policy as set out below.

(i) Cash flow hedge accounting
Cash flow hedges are hedges of the Bank's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.

(ii) Fair Value hedge accounting
Fair value hedges are hedges of the Bank's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to the profit or loss.
For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit or loss. The changes in the fair value of the hedging instrument are also recognised in the profit or loss.

The Bank discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Bank revokes the designation. If the hedged items are derecognised, the unamortised fair value is recorded in the profit or loss.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Bank has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Note 1 - Statement of Accounting Policies (continued)

(h) Asset quality

(i) Impaired Assets
Impaired assets consist of restructured assets, assets acquired through the enforcement of security and other impaired assets.
A restructured asset is any credit exposure for which:

- the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms;
- the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
- the yield on the asset following restructuring is equal to, or greater than, the Bank's average cost of funds, or that a loss is not otherwise expected to be incurred.

Other impaired assets means any credit exposures for which an impairment loss is required in accordance with NZ IAS 39, paragraphs 58 to 62, but is not a restructured asset or an asset acquired through the enforcement of security. Financial assets acquired through the enforcement of security are those real estate and other assets acquired in full or partial satisfaction of a debt.

(ii) Past Due Assets
A past due asset is any credit exposure where a counterparty has failed to make a payment when contractually due, and is not an impaired asset.

(iii) Assets under administration
An asset under administration is any credit exposure which is not an impaired asset or a past due asset, but which is to a counterparty:

- who is in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or
- who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

(iv) Renegotiated Assets
A renegotiated asset is any credit exposure that would otherwise be past due or impaired whose terms have been renegotiated.

(i) Property, Plant and Equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment are as follows:

Classification	Estimated Useful Life	Estimated Residual Value	Annual Depreciation Rate
Office equipment, furniture and fittings	5 years	20%	20%
Computer Hardware	3 years	33.3%	33.3%
Leasehold improvements	Lesser of 5 years or the remaining term of the lease		

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment losses.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial period end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

Note 1 - Statement of Accounting Policies (continued)

(j) Intangible Assets
Intangible assets comprise computer software costs and computer software licences. Computer software licences are amortised over their expected useful lives. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

The Bank generally expenses computer software costs in the period incurred. However, some costs associated with developing identifiable and unique software products controlled by the Bank, including employee costs and an appropriate portion of relevant overheads are capitalised and treated as intangible assets. These assets are amortised using the straight line method over their useful lives.
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

(k) Taxation
Income tax comprises current and deferred income tax. Income tax is recognised in the profit or loss except when it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

(ii) Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Provisions
Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss net of any reimbursement. Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Bank assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. After such a reversal, the depreciation/amortisation charge

KPMG

Note 1 - Statement of Accounting Policies (continued)

is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Contingent liabilities and credit commitments
A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

The Bank issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Bank initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised on a pro rata basis over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the profit or loss.

(n) Leases
Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Finance leases
When the Bank is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and advances to customers. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Operating leases
Rental payments applicable to operating leases are charged to the profit or loss on the straight-line basis over the lease terms. When the Bank is the lessor under operating leases, the assets subject to operating leases are accounted for as the Bank's assets. Rental income is recognised as "other income" in the profit or loss on the straight-line basis over the lease term.

(o) Share capital

(i) Share issue costs
Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Dividend distribution
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.
Dividends for the year that are declared after the balance sheet date are addressed in the subsequent events note (if applicable).

(p) Goods and Services Tax ("GST")
The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable from the IRD. In these circumstances the GST component is recognised as part of the underlying item. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the IRD is included within these categories.

(q) Employee Benefits
Employee benefits refer to all forms of consideration and other related expenditure given by the Bank in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Bank. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Bank will present them at their present value.

(r) Repurchase and reverse repurchase transactions (including securities borrowing and lending)
Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

KPMG

Note 1 - Statement of Accounting Policies (continued)

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in the profit or loss.

(s) Change in Accounting Policies
There has been no change in accounting policies during the year.

(t) NZ IFRS Accounting Standards Issued but Not Yet Effective
The following new standards and amendments to standards relevant to the Bank are not yet effective and have not yet been applied in preparing the financial statements.

(i) NZ IFRS 9 Financial Instruments: Classification and Measurement (Effective for periods on or after 1 January 2018)
IFRS 9, published in September 2014, replaces the existing guidance in IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(ii) Amendments to NZ IAS 1: Improve Presentation and Disclosure in Financial Statements - (Effective for periods on or after 1 January 2016)
This amendment will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Bank intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016.

(iii) NZ IFRS 16 Leases (Effective for periods on or after 1 January 2019)
NZ IFRS 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The standard is effective for annual reporting periods beginning on or after 1 January 2019.

The extent of the impact of adoption of the above standards and amendments has not yet been determined.

KPMG

Note 2 - Interest Income and Interest Expense

Thousands of dollars	Audited	Audited
Interest Income	**31 December 2015**	**31 December 2014**
Loans and advances to customers	9,266	2,077
Government and local authority securities	609	147
From other financial institutions	1,702	892
Amounts due from related parties	165	313
Other securities	137	5
Cash and liquid assets	1,024	187
Income from impaired assets	-	-
Income from restructured assets	-	-
Total interest income	12,903	3,621

Within this balance, interest earned on restructured and impaired assets is: nil (2014: nil)

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Interest expense		
Deposits from customers	1,319	27
Debt securities issued	2,310	63
Secured and unsecured borrowings	18	-
Amounts due to related parties	3,191	566
Total interest expense	6,838	656

Note 3 - Net Gains/ (Losses) on Financial Instruments at Fair Value through Profit or Loss

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Financial assets designated at fair value through profit or loss upon initial recognition	-	-
Derivative financial instruments held for trading	(9,778)	20
Financial liabilities designated at fair value through profit or loss upon initial recognition	-	-
Financial assets held for trading	-	-
Net ineffectiveness on qualifying cash flow hedges	-	-
Net ineffectiveness on qualifying fair value hedges	-	-
Cumulative gain/(loss) transferred from the available-for-sale reserve	-	-
Cumulative loss transferred from the cash flow hedge reserve	-	-
Total net gains/(losses) on financial instruments at fair value through profit or loss	(9,778)	20

Note 4 - Other Income

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Banking and lending fee income	1,206	462
Payment services fee income	485	37
Bad debts recovered	-	-
Net foreign exchange gains/(losses) and commissions	8,521	109
Gain on sale of property, plant and equipment	-	-
Other revenue	231	3
Total other income	10,443	611

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Note 5 - Operating Expenses

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Auditor's remuneration:		
Audit of financial statements	74	36
Review of financial statements	72	69
Accounting advice fee	-	11
Other assurance service	19	20
Taxation and other services	-	-
Tax advisory services	74	38
Donations	-	-
Directors' fees	212	170
Depreciation:	-	
Computer hardware	255	224
Office equipment	23	21
Furniture, fittings, and leasehold improvements	337	316
Amortisation of intangible assets	3	4
Employee benefits		
Wages and salaries	4,497	2,437
Kiwi Saver Contribution	16	6
Other Employment-Related Expenses	113	58
Rental and lease costs	1,001	907
Loss on sale of property, plant and equipment	-	-
Professional consulting fee	579	489
Building occupation costs	259	219
Promotion and marketing costs	205	280
Membership fee	148	233
Other operating expenses	1,031	508
Total operating expenses	8,918	6,046

For setup costs borne by and paid by Head Office, refer to Note 24.

KPMG

Note 6 - Impairment Allowance

Audited 31 December 2015

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31/12/15
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-
Bad debts written off	-	-	-	-
Balance at the end of the year	-	-	-	-

Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31/12/15
Balance at the beginning of the year	1	19	463	483
Charge to statement of comprehensive income in current year	3	160	605	768
Advances written off	-	-	-	-
Balance at the end of the year	4	179	1,068	1,251

Audited 31 December 2014

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31/12/14
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-
Bad debts written off	-	-	-	-
Balance at the end of the year	-	-	-	-

Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31/12/14
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income in current year	1	19	463	483
Advances written off	-	-	-	-
Balance at the end of the year	1	19	463	483

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Note 7 - Taxation

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Net profit/(loss) before taxation	(2,956)	(2,933)
Tax calculated at a tax rate of 28%	(828)	(821)
(Under)/over provision from prior period	14	42
Tax losses and temporary differences not recognised	814	821
Tax losses utilised	-	-
Other permanent differences	-	-
Taxation charge as per the statement of comprehensive income	-	42
Represented by:		
(Under)/over provision from prior period	14	42
Current tax	(14)	-
Deferred tax	-	-
Taxation charge as per the statement of comprehensive income	-	42
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:		
Accelerated depreciation	-	-
Allowances for impairment losses	-	-
Other provisions	-	-
Tax effect of change in tax rate	-	-
Amortisation of intangibles	-	-
Recognised tax losses	-	-
Total temporary differences	-	-

Note 8 – Current and Deferred Taxation

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Current income tax (payable)/receivable		
Balance at beginning of the year	-	-
(Under)/over provision from prior period	(14)	(42)
Tax on profits/(losses) taken to reserves	-	-
Transfer from/(to) deferred tax	-	-
Current Year Tax charge	14	-
Related party purchase of tax losses	-	-
Refundable Tax credits	-	-
Tax refunded	-	-
Tax paid in current year	81	42
Balance at end of the year	81	-
Deferred tax		
Balance at beginning of the year	-	-
Under/over provision from prior period	-	-
Temporary differences for the year	-	-
Tax on losses carried forward	-	-
Tax effect of change in tax rate	-	-
Credit to current tax	-	-
Balance at end of the year	-	-
Deferred tax assets		
Cash flow hedges	-	-
Accelerated depreciation	-	-
Other provisions and accruals	-	-
Other temporary differences	-	-
Losses recognised in deferred tax	-	-
Allowance for loan impairment	-	-
Total assets	-	-
Deferred tax liabilities		
Accelerated depreciation	-	-
Net commissions receivable	-	-
Intangible assets	-	-
Total liabilities	-	-
Net deferred taxation	-	-
Recoverable within twelve months	-	-
Recoverable after twelve months	-	-

The effective tax rate on the Bank's profit before tax has been calculated at 28%. Tax benefits not recognised in these financial statements amounted to $1,664K at 31 December 2015 (31 December 2014: $864K). These tax benefits are only available to the Bank if the income tax legislation's requirements are met.

Note 9 – Cash, Cash Equivalents and Balances with Central Banks

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Cash on hand	-	-
Cash with central banks	14,150	280,435
Call and overnight advances to financial institutions	72,666	96,185
Total cash and cash equivalents	86,816	376,620

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Note 10 – Due from Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
NZ Registered Banks	265,908	205,000
Overseas Registered Banks	-	-
Other	-	-
Total amount due from other financial institutions	265,908	205,000
Current	265,908	205,000
Non-Current	-	-

Note 11 – Offsetting financial assets and financial liabilities

Under NZ IAS 32, a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Bank does not offset its financial assets and financial liabilities in the balance sheet as both requirements are not met.

Derivative assets and liabilities

Derivative financial instrument contracts are typically subject to International Swaps and Derivatives Association("ISDA") master netting agreements.

Derivative amounts rights of offset may typically relate to some exchange and central clearing counterparty settled contracts where the bank has a legal right to offset for both payments netting and close out netting.

Audited 31 December 2015 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments not offset	Net Amount
Financial Assets			
Derivative financial instruments	665	(665)	-
	665	(665)	-
Financial Liabilities			
Derivative financial instruments	8,982	(665)	8,317
	8,982	(665)	8,317

Audited 31 December 2014 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments the not offset	Net Amount
Financial Assets			
Derivative financial instruments	20	-	20
	20	-	20
Financial Liabilities			
Derivative financial instruments	-	-	-
	-	-	-

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Note 12 – Financial Assets Held to Maturity and Available for Sales Assets

A. Financial Assets Held to Maturity

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Government stock and multilateral development banks	-	-
Local authority securities	2,212	-
Other debt securities	2,730	-
Total held-to-maturity assets	4,942	-
Current	-	-
Non-Current	4,942	-

These assets have been categorised as Financial Assets held to maturity, on the basis that they form a portfolio complying with RBNZ's BS13A and there is an active market for such assets.

B. Available for Sale Assets

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Government stock and multilateral development banks	-	-
Local authority securities	-	-
Other debt securities	-	-
Total available-for-sale assets	-	-
Current	-	-
Non-Current	-	-

Note 13 – Loans and Advances to Customers

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Residential mortgage loans	102,410	11,233
Corporate exposures	164,427	50,660
Syndicated Loans	114,216	24,278
Credit Cards	87	8
Other exposures	-	-
Allowance for impairment losses	(1,251)	(483)
Total net loans and receivables	379,889	85,696
Current	132,689	12,901
Non-Current	247,200	72,795

Note 14 – Financial Assets Designated at Fair Value, Financial Assets Held for Trading, Derivative Financial Instruments and Financial Liabilities Held for Trading

(a) Financial Assets Designated at Fair Value

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Debt Securities - Listed	-	-
Debt Securities - Unlisted	-	-
Equity Investments - Listed	-	-
Equity Investments - Unlisted	-	-
Total	-	-

(b) Financial Assets Held for Trading

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Debt Securities - Listed	-	-
Debt Securities - Unlisted	-	-
Equity Investments - Listed	-	-
Equity Investments - Unlisted	-	-
Total	-	-

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Note 14 – Financial Assets Designated at Fair Value, Financial Assets Held for Trading, Derivative Financial Instruments and Financial Liabilities Held for Trading (continued)

(c) Derivative Financial Instruments

Audited 31 December 2015	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Forward exchange derivatives			
- Forward foreign exchange contracts	295	-	6
- Swaps	224,485	175	8,313
- Option Contracts	-	-	-
Total Foreign exchange derivatives	224,780	175	8,319
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	156,502	490	663
- Option Contracts	-	-	-
Total Interest Rate derivatives	156,502	490	663
Total		665	8,982

Audited 31 December 2014	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Forward exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	-	-	-
- Option Contracts	-	-	-
Total Foreign exchange derivatives	-	-	-
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	25,000	20	-
- Option Contracts	-	-	-
Total Interest Rate derivatives	25,000	20	-
Total		20	-

(d) Financial Liabilities Held for Trading

Thousands of dollars	**Audited 31 December 2015**	**Audited 31 December 2014**
Debt Securities - Listed	-	-
Debt Securities - Unlisted	-	-
Equity Investments - Listed	-	-
Equity Investments - Unlisted	-	-
Total	-	-

The notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts of risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the company in an orderly market transaction at balance sheet date. The replacement cost is considered to be the same as the positive or negative fair value.

Note 15 – Subsidiaries

As at 31 December 2015, the Bank does not have any subsidiaries (31 December 2014: Nil).

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Note 16 – Property, Plant & Equipment

Audited 31 December 2015

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, fittings & Leasehold Improvements	Other Assets	Total
At cost	686	113	1,680	-	2,479
Accumulated depreciation	(261)	(23)	(316)	-	(600)
Opening carrying amount	425	90	1,364	-	1,879
Additions	109	-	28	-	137
Disposals	-	-	-	-	-
Depreciation	(255)	(23)	(337)	-	(615)
Write offs	-	-	-	-	-
Closing carrying amount	279	67	1,055	-	1,401
Total At cost	795	113	1,708	-	2,616
Total Accumulated depreciation	(516)	(46)	(653)	-	(1,215)
Total Closing carrying amount	279	67	1,055	-	1,401

Audited 31 December 2014

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, fittings & Leasehold Improvements	Other Assets	Total
At cost	664	90	1,365	-	2,119
Accumulated depreciation	(37)	(2)	-	-	(39)
Opening carrying amount	627	88	1,365	-	2,080
Additions	22	23	315	-	360
Disposals	-	-	-	-	-
Depreciation	(224)	(21)	(316)	-	(561)
Write offs	-	-	-	-	-
Closing carrying amount	425	90	1,364	-	1,879
Total At cost	686	113	1,680	-	2,479
Total Accumulated depreciation	(261)	(23)	(316)	-	(600)
Total Closing carrying amount	425	90	1,364	-	1,879

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Note 17 – Intangible Assets

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Goodwill	-	-
Computer software	4	7
Computer software work in progress	-	-
Total intangible assets	4	7
Goodwill		
Balance at beginning of the year	-	-
Additions	-	-
Impairment	-	-
Balance at end of the year	-	-
Computer software		
Cost brought forward	11	11
Accumulated amortisation brought forward	(4)	-
Opening net book value	7	11
Additions	-	-
Amortisation	(3)	(4)
Closing net book value	4	7
Computer software work in progress		
Cost	-	-
Accumulated amortisation	-	-
Closing net book value	-	-

Note 18 – Other Assets

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Other receivables	222	371
Commissions receivable	80	74
Interest receivable	1,729	563
Trade and other receivables	2,031	1,008
Current	1,879	856
Non-Current	152	152

Note 19 – Due to Central Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Loans from other banks	-	-
Loans from central bank	-	-
Items in course of settlement	1	1
ATM cash at other banks	-	-
Total due to other financial institutions	1	1
Current	1	1
Non-Current	-	-

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Note 20 – Balances with Related Entity

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Amounts due from ultimate parent	-	246
Amount due from controlled entities of ultimate parent	-	-
Total amount due from related entities	-	246
Current	-	246
Non-Current	-	-

Amounts due to ultimate parent	421,502	547,019
Amount due to controlled entities of ultimate parent	39,474	-
Total amount due to related entities	460,976	547,019
Current	330,858	543,194
Non-Current	130,118	3,825

Off Balance sheet transactions		
Due from parent	-	4,656
Due to parent	-	6,632

1. Nostro account balance held with parent as at 31 December 2015 is NZ$1,033K (31 December 2014:$1,443K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches. Refer to Note 28 for transactions with related parties.
2. ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counter party and country level exposures at financial reporting period ends. In January 2016, the majority of the vostro balance was transferred back to the parent. Such transfers were approximately NZ$260m as at 31 December 2015 (31 December 2014: NZ$508m).

Note 21 – Deposits from Customers

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Retail deposits	23,687	6,262
Wholesale deposits	103,650	7,056
Other	-	-
Total deposits	127,337	13,318
New Zealand	113,216	12,005
Overseas	14,121	1,313
Current	83,501	13,298
Non-Current	43,836	20

Note 22 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Certificates of deposit (CDs)	14,884	-
Other debt securities	70,411	50,000
Total debt securities issued	85,295	50,000
Current	14,884	-
Non-Current	70,411	50,000

Certificates of deposits (CDs) issued			Audited 31 December 2015			Audited 31 December 2014		
Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	3.12 (fixed)	7 March 2016	5,000	4,961	4,961	-	-	-
New Zealand Dollar	3.125 (fixed)	3 March 2016	10,000	9.923	9.923	-	-	-
				14,884	14,884	-	-	-

Note 22 – Certificates of Deposit and Debt Securities Issued (continued)

Medium term notes issued			Audited 31 December 2015			Audited 31 December 2014		
Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	4.74 (fixed)	22 December 2017	25,000	25,000	25,545	25,000	25,000	21,905
New Zealand Dollar	3 month NZD BKBM + 85bp	22 December 2017	25,000	25,000	25,000	25,000	25,000	25,000
US Dollar	3 month USD LIBOR + 110bp	5 November 2018	14,000	20,411	20,411	-	-	-
				70,411	70,956		50,000	46,905

On 28 August 2015, Moody's Investors Service upgraded the Bank's senior unsecured MTN (medium term note) rating to (P)A1 from (P)A2. Short-term Bank deposits and issuer ratings were affirmed at P-1 while the Bank's deposit note/CD Programme was also affirmed at (P)P-1.

On 14 July 2015, Standard & Poor's assigned the Bank's US$100Million Certificate of Deposit Programme a short-term issue credit rating of "A-1".
On 1 September 2015, Standard & Poor's confirmed the Bank's US$300Million Wholesale Debt Issuance Programme and Retail Medium Term Notes Programme Local Currency and Foreign Currency Long-term ratings are A.

Note 23 – Other Liabilities

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Employee entitlements		
Accrued wages/salaries	45	30
Accrued Kiwi Saver Pension liability	-	-
Other Employee entitlements Accrued	1,029	649
Accounts payable	9	143
Interest payable	1,793	624
Other payables and deferred revenue	2,010	1,476
Total other liabilities	4,886	2,922
Current	3,388	1,976
Non-Current	1,498	946

Note 24 – Setup Costs of ICBC NZ

ICBC NZ incurred various costs for the period up to 1 October 2013 and setting up the Bank in New Zealand up to the period ended 31 January 2014. The total costs for set up in 2015 were $nil (31 December 2014:$365,645). These expenses are considered expenses borne by and paid for by ICBC. The ultimate parent bank has confirmed that it will not seek repayment of these setup expenses from ICBC NZ in the future and hence, these expenses are not included for ICBC NZ's financial reporting purposes for the period ended 31 December 2014 and 31 December 2015. These amounts have been confirmed by the ultimate parent bank to be non-refundable and non-repayable under any circumstances by ICBC NZ.

Note 25 – Reverse Repurchase Agreements

(a) Financial Assets

Reverse repurchase agreements comprise reverse repurchase of securities, bills, loans and cash advanced as collateral on securities borrowing.

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Reverse repurchase	-	-
Cash advanced as collateral on securities borrowing	-	-
Total	-	-
Reverse repurchase analysed by counterparty:		
Banks	-	-
Other financial institutions	-	-
Total	-	-
Reverse repurchase analysed by collateral		
Securities	-	-
Bills	-	-
Loans	-	-
Total	-	-

(b) Financial Liabilities

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Repurchase	-	-
Cash received as collateral deposit on loan	-	-
Total	-	-
Repurchase analysed by counterparty:		
Banks	-	-
Other financial institutions	-	-
Total	-	-
Repurchase analysed by collateral		
Deposit	-	-
Bills	-	-
Loans	-	-
Total	-	-

Note 26 – Equity

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Share capital	60,378	60,378
Retained earnings	(6,118)	(3,162)
Cash flow hedge reserve	-	-
Available-for-sale reserve	-	-
FX translation reserve	-	-
Total equity	54,260	57,216

	31 December 2015	31 December 2014
Equity	Number of shares	Number of shares
Number of shares at the start of the period	60,377,729	60,377,729
Shares issued during the period	-	-
Number of shares at the end of the period	60,377,729	60,377,729

All shares have equal voting rights and share equally in dividends and any profits on winding up. Shares do not have a par value.

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Note 27 – Asset Quality

Audited 31 December 2015 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	82	102,410	278,643	381,135
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	5*	-	-	5
Total past due assets not impaired	5	-	-	5
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	87	102,410	278,643	381,140
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	-	-	-
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the year	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	1	19	463	483
Charge (credit) to the statement of comprehensive income	3	160	605	768
Other movements	-	-	-	-
Balance at end of the year	4	179	1,068	1,251
Total provisions for impairment losses	4	179	1,068	1,251
Total net loans and advances	83	102,231	277,575	379,889

* The weighted average number of days past due for these assets is 108 (31 December 2014: nil).

Note 27 – Asset Quality (continued)

Audited 31 December 2014 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	8	11,233	74,938	86,179
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	-	-	-
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	8	11,233	74,938	86,179
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	-	-	-
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the year	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge (credit) to the statement of comprehensive income	1	19	463	483
Other movements	-	-	-	-
Balance at end of the year	1	19	463	483
Total provisions for impairment losses	1	19	463	483
Total net loans and advances	7	11,214	74,475	85,696

The Bank does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 December 2015 (31 December 2014: nil). Therefore, the Bank does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were $168,294K as at 31 December 2015 (31 December 2014: $18,754K).

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the period ended 31 December 2015 (31 December 2014: nil).

The Bank is wholly owned by the Industrial and Commercial Bank of China Limited, a company incorporated in China. No related party debts have been written off or forgiven during the period.

Note 28 – Transactions with Related Parties

(a) Key Management Personnel

Key management personnel are defined as being the Directors and senior management of the Bank. The information relating to the key management personnel disclosed includes transactions with those individuals, their close family members and their controlled entities.

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Note 28 – Transactions with Related Parties (continued)

(i) Senior Management Compensation

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Salaries and other short-term benefits	1,241	503
Other benefits		-
Total key management compensation	1,241	503

In note 24, the set up costs include nil (31 December 2014:$366K) of salaries for key management personnel that were borne by ICBC.

(ii) Directors' Remuneration

The name of each person holding office as a Director of the Bank throughout the financial period ended 31 December 2015 and the total remuneration received by each Director were as follows:

Thousands of dollars	Date Appointed	Audited 31 December 2015	Audited 31 December 2014
Donald Thomas Brash	30-Sep-13	77	65
Martin Philipsen	30-Sep-13	68	55
John Glenn Dalzell	30-Sep-13	67	50
Qian Hou *	23-Apr-15	-	-
Hongbin Liu **	30-Sep-13	-	-
Xuening Yang ***	28-May-15	-	-
Jun Jing ****	13-Mar-13	-	-
Total Director Remuneration		212	170

The Bank has purchased Directors' and Officers' Liability insurance to indemnify the Directors. No Directors received any other benefit that was additional to his or her total remuneration.

*Ms Qian Hou did not receive director remuneration for the financial period ended 31 December 2015 (31 December 2014: nil). Her senior management compensation is included within the salaries disclosed in note 28 A (i) above.

**Mr Hongbin Liu's director remuneration is borne by ICBC head office.

***Mr Xuening Yang's director remuneration is borne by ICBC head office.

****Mr Jun Jing did not receive director remuneration for the financial period ended 31 December 2015 (31 December 2014: nil). His senior management compensation is included within the salaries disclosed in note 28 A (i) above. He resigned as Chief Executive Officer & General Manager and Executive Director on 28 April 2015.

(iii) Key Management Personnel Deposits and Loans with the Bank/ Banking Group

Audited 31 December 2015

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	10	-	10	-
Loans and Advances	-	-	-	-
Total	10	-	10	-

Audited 31 December 2014

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	-	10	10	-
Loans and Advances	-	-	-	-
Total	-	10	10	-

The above deposits, loans and advances (including interest rates and collateral) transactions were conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

The Bank issued a credit card to a director with $50K credit limit.(31 December 2014:Nil). The amount owed on the card at 31 December 2015 was nil.(31 December 2014:Nil).

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Note 28 – Transactions with Related Parties (continued)

(b) Guarantees

The Bank's ultimate parent company is the Industrial and Commercial Bank of China Limited, a Chinese incorporated bank (ICBC). ICBC is subject to regulatory oversight by the China Banking Regulatory Commission (CBRC) under its rules and guidelines. ICBC is not a New Zealand registered bank and is not subject to regulatory oversight by the Reserve Bank of New Zealand.

As at 30 September 2015, 68.11% of total shares in ICBC were owned by the Chinese government. The remaining 31.89% of the shares in ICBC were held by the public. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

All the obligations of the Bank are guaranteed by ICBC. There are no legislative, regulatory or other restrictions of a legally enforceable nature in China (ICBC's country of incorporation) that may materially inhibit the legal ability of ICBC to provide material financial support to the Bank.

ICBC has the following credit rating applicable to its long-term senior unsecured obligations:

Rating Agency/Rating Results	**Moody's Investors Service, Inc.**	**Standard & Poor's Corporation**	**Fitch IBCA, Inc.**
Long-term Foreign Currency Bank Deposits Rating	A1 (Upper-medium grade and low credit risk)	A (Strong capacity to meet obligations but subject to adverse economic conditions)	A (Strong Capacity to meet obligation but vulnerable to adverse business or economic conditions)
Short-term Foreign Currency Bank Deposits Rating	P-1 (Superior ability to repay short-term debt)	A-1 (susceptible to adverse economic conditions but satisfactory capacity to meet obligations	F1 (strongest capacity for timely payment of financial commitments)
Outlook	Negative	Stable	Stable

ICBC guarantees due payment of all obligations of the Bank to the Bank's depositors and other creditors.

(i) There are no limits on the amount of the obligations guaranteed.

(ii) Termination of the guarantee under any of the circumstances outlined in clause 6 Termination of the Guarantee is subject to satisfaction of the relevant obligations in respect of each creditor which have been incurred on or prior to the date of termination.

(iii) There are no material legislative or regulatory restrictions in China that would have the effect of subordinating the claims of the Bank's creditors under the guarantee to other claims on ICBC in a winding up of ICBC.

(iv) The ICBC guarantee does not have an expiry date.

(c) Transactions with other entities within ICBC Group

Thousands of dollars	**Audited 31 December 2015**	**Audited 31 December 2014**
Interest income on amount due from related entities		
Ultimate parent	165	313
Subsidiaries of ultimate parent	-	-
Total interest income on amount due from related entities	165	313
Interest expense on amount due to related entities		
Ultimate parent	3,103	566
Subsidiaries of ultimate parent	88	
Total interest expense on amount due to related entities	3,191	566
Other operating income		
Gain/(loss) on derivative contracts with ultimate parent	(77)	-
Other income	(6)	

Interest payable to parent as at 31 December 2015 was NZ$866K (31 December 2014: NZ$303K), and interest payable to subsidiaries of the ultimate parent was NZ$88K (2014: nil). This is included in interest payable balance and interest paid expense.
Parent includes ICBC Head Office and other branches.
There is a NZ$18,275K loan guaranteed by ICBC Shenzhen (31 December 2014: NZ$15,938K).

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Note 29 – Concentration of Credit Risk

The following table breaks down the Bank's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows. For further details on how credit risk is managed and for On Balance Sheet and Off Balance Sheet credit exposure details, refer to notes 35 and 38.

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
New Zealand		
Government	116,259	280,435
Finance (including banks)	205,318	299,509
Households	102,711	11,267
Transport and storage	19,505	14,831
Communications	15,145	8,570
Electricity, gas and water	7,421	-
Construction	43,272	8,665
Property services	8,797	152
Agriculture	6,111	-
Forestry	147,931	12,829
Health and community services	-	-
Personal and other services	-	-
Retail and wholesale trade	5,642	-
Food and other manufacturing	-	-
Overseas		
Finance, investment and insurance (including ICBC)	44,970	2,294
Retail and wholesale trade	18,350	30,367
Less allowance for impairment provisioning	(1,251)	(483)
Total financial assets	740,181	668,436
Less: non-interest earning financial assets	38,926	(1,342)
Total net financial assets	701,255	667,094

An analysis of financial assets by geographical sector at balance date is as follows:

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
New Zealand		
North Island	670,751	629,848
South Island	6,110	6,080
Overseas		
China	8,386	841
USA	35,813	539
Singapore	222	867
Hong Kong	18,821	30,214
Australia	78	-
Europe	-	47
Total financial assets	740,181	668,436

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Note 29 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Loans and advances to customers	379,889	85,696
Trade and Other Receivables		-
Other financial assets	1,398	602
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	381,287	86,298
Cash and cash equivalents	86,816	376,620
Amounts due from related parties	-	246
Due from other financial institutions	265,908	205,000
Financial assets held for trading	-	-
Financial assets held to maturity	4,942	-
Available-for-sale assets	-	-
Derivative financial instruments	665	-
Loans and advances to customers	-	-
Tax Receivable	-	-
Other financial assets	563	252
Total on Balance Sheet Credit Exposures	740,181	668,436
Off Balance Sheet Exposures	172,909	29,484
Total Off Balance Sheet Credit Exposures	172,909	29,484

The credit exposures shown are based on actual credit exposures and are calculated net of allowances for impairment loss.

50.11% of the Bank's mortgage portfolio is owner-occupied residential properties (31 December 2014: 100%).

As at the reporting date, of the drawn balances on credit facilities with undrawn commitments, there are none that are classified as individually impaired, or balances under administration.

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Note 30 – Concentration of Funding

Concentrations of funding arise where the Bank is funded by industries of a similar nature or in particular geographies. An analysis of financial liabilities by industry sector and geography at balance date is as follows:

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
New Zealand		
Transport and storage	1	-
Financing investment and insurance	74,228	50,065
Electricity, gas and water	-	-
Food and other manufacturing	896	529
Construction	1,008	300
Communication	77	116
Government, local authorities and services	4,828	-
Agriculture	-	-
Forestry	95,101	4,401
Health and community services	-	-
Personal and other services	-	-
Property and business services	1,787	1,051
Education	-	-
Retail and wholesale trade	665	1,043
Other	2,416	1,653
Households	14,701	5,904
Overseas		
Amounts due to related parties	461,842	547,524
Financing investment and insurance (not including ICBC group)	20,459	-
Household	9,286	528
Other deposits	6	258
Total financial liabilities	687,301	613,202
Less: non-interest bearing financial liabilities	(81,728)	(9,000)
Total interest and discount bearing financial liabilities	605,573	604,202

An analysis of financial liabilities by funding type at balance date is as follows:

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Deposits from customers	127,337	13,318
Registered Banks	1	1
Derivative financial liabilities	8,982	-
Financial Investors	-	-
Certificates of deposit	14,884	-
Debts securities issued	70,411	50,000
Related Parties	460,976	547,019
Other	4,710	2,864
Total financial liabilities	687,301	613,202

All deposits are unsecured unsubordinated bank deposits issued by the Registered Bank.

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Note 31 – Lease Commitments

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Operating lease commitments under non-cancellable operating leases:		
Not later than One year	1,002	1,002
Later than One Year and Not Later than Two Years	1,002	1,002
Later than Two Years and Not Later than Five Years	2,220	2,740
Later than Five Years	562	1,043
Total	4,786	5,787

Current Leasing and Rental Expenses

The Bank leases various premises under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. All leases relate to property rental with renewal options on the lease expiry date.

Note 32 – Capital Commitments

As at 31 December 2015, there were nil capital commitments (31 December 2014: nil).

Note 33 – Contingent Liabilities and Commitments

Thousands of dollars	Audited 31 December 2015	Audited 31 December 2014
Performance/financial guarantees issued on behalf of customers	4,615	10,730
Total contingent liabilities	4,615	10,730
Undrawn Commitments	168,294	18,754

Note 34 – Subsequent Events after Balance Sheet Date

There were no subsequent events after balance date which would materially affect the financial statements (31 December 2014: nil).

Note 35 – Financial Risk Management

A. Introduction

The Bank is committed to the management of financial risk to achieve sustainability of service, employment and profits and therefore takes on controlled amounts of financial risks when considered appropriate.

The primary financial risks of the Bank are credit, liquidity, interest rate, foreign exchange and operational risk.

The Board of Directors is responsible for the review and ratification of the Bank's systems of risk management, internal compliance and control, code of conduct and legal compliance.

The Board maintains a formal set of delegated authorities that clearly define the responsibilities delegated to Management and those retained by the Board. Credit and Treasury delegated authorities are contained within their respective policy documents. The Board approves these delegated authorities and reviews them annually.

Management formally reports on key credit, treasury and operational risks to the Board on a monthly basis. In addition, the following management committees review and manage key risks:

- The Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress; and
- The Risk Management Committee meets monthly to consider, monitor and review exposure to interest rate risk, liquidity risk, foreign currency risk, and credit risk.

B. Credit Risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Bank is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

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Note 35 – Financial Risk Management (continued)

The principal features of the Bank's credit risk management function include:

1. Centralised credit management procedures; and
2. Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval and granting of loan and post-disbursement loan monitoring.

To enhance the credit risk management practices, the Bank also runs training program periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Bank also makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The Bank will enter into agreements with its counterparties for documenting over-the-counter derivative activities. Each of these master agreements provides the contractual framework within which derivative dealing activities are conducted. Under each of these agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Refer to Note 29 and Note 38 on the disclosure of concentration of credit risk of counterparties by geographical and sector classifications and the maximum On-balance sheet credit risk exposure and Off-balance sheet credit risk exposure.

(i) Credit exposure to individual counterparties

Credit exposure concentrations are disclosed on the basis of actual exposures and gross of set-offs. Peak end-of-day aggregate credit exposures have been calculated using the Bank's equity at the reporting date.

The number of individual counterparties, excluding connected persons, where the period end and peak end-of-day aggregate actual credit exposures, net of individual credit impairment allowances, equalled or exceeded 10% of the Bank's shareholder's equity was:

Peak End of Day Credit Exposures	Audited During the 3 months period ended 31 December 2015 Number of Counterparties		Audited During the 3 months period ended 31 December 2014 Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other
10% - 14%	-	4	-	3
15% - 19%	-	1	-	1
20% - 24%	-	-	-	-
25% - 29%	1	2	-	3
30% - 34%	-	5	-	2[1]
35% - 39%	-	1	-	-
40% - 44%	-	-	-	-
45% - 49%	-	-	-	-
50% - 54%	-	-	-	1[2]
55% - 59%	-	-	-	-
60% - 64%	-	1	-	-
65% - 69%	-	1	-	-
70% - 74%	-	-	-	-
75% - 79%	-	-	-	-
80% - 84%	-	1	-	-
165% - 169%	-	1	-	-
170% - 174%	-	-	-	-
210% - 215%	-	1[3]	-	-

The Bank did not have any counterparties in the bands 85% through 164%, and 175% through 209%.

1 One of the loans classified within the 30%-34% category is actually two loans to related parties.

2 The loan classified within the 50%-54% category is fully collateralised by cash deposits.

3 The loan classified within the 210%-215% category is 86.59% collateralised by cash deposits.

Note 35 – Financial Risk Management (continued)

Peak end of day credit exposure is calculated by determining the maximum end of day aggregate amount of credit exposure over the financial period for individual counterparties, and then dividing that amount by the Bank's Equity as at the reporting date.

	Audited As at 31 December 2015		Audited As at 31 December 2014	
Credit Exposures as at Reporting Date	Number of Counterparties		Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other
10% - 14%	1	4	-	1
15% - 19%	-	1	-	1
20% - 24%	-	-	-	-
25% - 29%	-	1	-	3
30% - 34%	-	5	-	2
40% - 44%	-	-	-	-
45% - 49%	-	-	-	-
50% - 54%	-	-	-	-
55% - 59%	-	1	-	-
60% - 64%	-	-	-	-
65% - 69%	-	1	-	-
70% - 74%	-	-	-	-
75% - 79%	-	-	-	-
80% - 84%	-	1	-	-
165% - 169%	-	1	-	-
170% - 174%	-	1[4]	-	-

The Bank did not have any counterparties in the bands 85% through 164%.

Individual counterparties in the bank category exclude credit exposures to connected persons and any bank with a long-term credit rating of A- or A3 or above, or its equivalent. Individual counterparties in the "Other" category exclude credit exposures to connected persons and credit exposure to any central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent. All "Other" and all "Bank" counterparties in the table above do not have a long-term credit rating.

These calculations are net and do not include any individually assessed provisions, which are assessed as Nil.

(ii) Credit exposures to connected persons

The Reserve Bank defines connected persons to be other members of the ICBC Group and Directors of the Bank. Credit exposures to connected persons are based on actual credit exposures rather than internal limits. The information on credit exposure to connected persons has been derived in accordance with the Reserve Bank of New Zealand's Connected Exposures Policy (BS8). Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One Capital of the Bank has been derived by determining the maximum end-of-day aggregate amount of credit exposure over the relevant accounting period and then dividing that amount by the Bank's Tier One Capital as at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 40%. There have been no changes to the limit during the period. Within the rating-contingent limit there is a sub-limit of 15% which applies to non-bank connected persons. The aggregate credit exposures below have been calculated on a gross basis, net of individual credit impairment allowances and excludes advances to connected persons of a capital nature. There are no individual impairment credit allowances against credit exposures to connected persons nor are there any contingent exposures arising from risk lay-off arrangements to connected persons as at 31 December 2015.

4 The loan classified with the 170%-175% is 93.34% collateralised by cash deposits.

Note 35 – Financial Risk Management (continued)

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2015 $'000	Audited During the 12 months period ended 31 December 2014 $'000
Credit exposures to connected persons	29,444	21,819
As a percentage of Tier One Capital of the Bank	54.27%	36.90%

Credit Exposures as at Reporting Date	Audited As at 31 December 2015 $'000	Audited As at 31 December 2014 $'000
Credit exposures to connected persons	1,033	1,688
As a percentage of Tier One Capital of the Bank	1.90%	2.95%

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2015 $'000	Audited During the 12 months period ended 31 December 2014 $'000
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

Credit Exposures as at Reporting Date	Audited As at 31 December 2015 $'000	Audited As at 31 December 2014 $'000
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

The limits on aggregate credit exposure to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times during the period ended 31 December 2015 except as disclosed on page 11 of this Disclosure Statement.

C. Liquidity Risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the needs of asset growth or repayment of debts due, although remaining solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Bank manages its liquidity risk through the Treasury Department and aims at:
1. Optimising the structure of assets and liabilities;
2. Maintaining the stability of the deposit base;
3. Projecting cash flows and evaluating the level of current assets; and
4. Maintaining an efficient internal fund transfer mechanism/agreement with the Parent Bank for liquidity.

The tables below summarise the cash flows payable or receivable by the Bank under financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows and include both principal and associated future interest payments and therefore will not agree to the carrying values on the balance sheet. Actual cash flows can differ significantly from contractual cash flows as a result of future events.

Accrued interest within the other financial assets/ liabilities captions in the statement of financial position is included in this table in the row in which the related financial instrument is presented.

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Note 35 – Financial Risk Management (continued)

Audited 31 December 2015	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial assets						
Cash, cash equivalents and balances with central banks	86,819	-	-	-	-	86,819
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	266,103	-	-	-	266,103
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	15	220	3,599	2,060	5,894
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	5	53,589	93,643	185,980	152,680	485,897
Other financial assets	-	81	-	151	-	232
Total financial assets	86,824	319,788	93,863	189,730	154,740	844,945
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	287,010	36,828	7,977	136,521	-	468,336
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	16,945	31,602	35,516	44,672	-	128,735
Certificates of deposit	-	15,000	-	-	-	15,000
Debt securities issued	-	305	2,099	73,172	-	75,576
Other financial liabilities	35	130	2,106	646	-	2,917
Total financial liabilities	303,991	83,865	47,698	255,011	-	690,565
Net non-derivative cash flows	(217,167)	235,923	46,165	(65,281)	154,740	154,380
Derivative cash flows						
Inflows from derivatives	-	185,934	41,584	3,218	26	230,762
Outflows from derivatives	-	(192,721)	(43,402)	(2,495)	(37)	(238,655)
Total	-	(6,787)	(1,818)	723	(11)	(7,893)
Off balance sheet cash flows						
Financial guarantees inflows	-	50	-	49	-	99
Financial guarantees outflows	-	-	-	(4,476)	(139)	(4,615)
Commitments outflows	(155,069)	(1,224)	(3,051)	(8,950)	-	(168,294)
Total	(155,069)	(1,174)	(3,051)	(13,377)	(139)	(172,810)
Net cash flows	(372,236)	227,962	41,296	(77,935)	154,590	(26,323)

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Note 35 – Financial Risk Management (continued)

Audited 31 December 2014	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial assets						
Cash, cash equivalents and balances with central banks	376,647	-	-	-	-	376,647
Amounts due from related parties	-	248	-	-	-	248
Due from banks and other financial institutions	-	205,248	-	-	-	205,248
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Available-for-sale assets						
Loans and advances to customers	-	7,426	8,205	62,283	21,979	99,893
Other financial assets	140	-	81	-	170	391
Total financial assets	376,787	212,922	8,286	62,283	22,149	682,427
Financial liabilities						
Due to other financial institutions	1	-	-	-	-	1
Amounts due to related parties	9,694	508,146	26,284	3,936	-	548,060
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	1,801	10,192	1,369	22	-	13,384
Certificates of deposit	-	-	-	-	-	-
Debt securities issued	-	281	2,029	54,620	-	56,930
Other financial liabilities	672	30	895	318	324	2,239
Total financial liabilities	12,168	518,649	30,577	58,896	324	620,614
Net non-derivative cash flows	364,619	(305,727)	(22,291)	3,387	21,825	61,813
Derivative cash flows						
Inflows from derivatives	-	-	1,185	2,370	-	3,555
Outflows from derivatives	-	(282)	(845)	(2,254)	-	(3,381)
Total	-	(282)	340	116	-	174
Off balance sheet cash flows						
Financial guarantees inflows	-	6,682	-	99	-	6,781
Financial guarantees outflows		(6,632)	-	-	-	(6,632)
Commitments outflows	(2,807)	(366)	(2,355)	(10,842)	(2,384)	(18,754)
Total	(2,807)	(316)	(2,355)	(10,743)	(2,384)	(18,605)
Net cash flows	361,812	(306,325)	(24,306)	(7,240)	19,441	43,382

D. Interest Rate Risk

The Bank's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The Bank manages its interest rate risk by:

1. regularly monitoring the macroeconomic factors that may have impact on the benchmark interest rates;
2. optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
3. managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the benchmark interest rates.

A principal part of the Bank's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Bank aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following table demonstrate the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities:

Note 35 – Financial Risk Management (continued)

Audited 31 December 2015

Thousands of dollars	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Financial assets							
Cash, cash equivalents and balances with central banks	36,451	50,365	-	-	-	-	86,816
Amounts due from related parties	-	-	-	-	-	-	-
Due from banks and other financial institutions	-	265,908	-	-	-	-	265,908
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets held to maturity	-	1,530	-	-	-	3,412	4,942
Available-for-sale assets	-	-	-	-	-	-	-
Derivative financial assets	665	-	-	-	-	-	665
Loans and advances to customers	-	277,554	25,360	61,207	13,252	2,516	379,889
Other financial assets	1,810	-	-	-	-	151	1,961
Total financial Assets	38,926	595,357	25,360	61,207	13,252	6,079	740,181
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	371,794	-	7,310	19,006	62,866	460,976
Financial liabilities held for trading	-	-	-	-	-	-	-
Derivative financial liability	8,982	-	-	-	-	-	8,982
Deposits from customers	68,036	3,758	8,106	3,601	43,836	-	127,337
Certificates of deposit	-	14,884	-	-	-	-	14,884
Debt securities issued	-	45,411	-	-	25,000	-	70,411
Other financial liabilities	4,710	-	-	-	-	-	4,710
Total financial liabilities	81,728	435,848	8,106	10,911	87,842	62,866	687,301
On-balance sheet gap	(42,802)	159,509	17,254	50,296	(74,590)	(56,787)	52,880
Net derivative notional principals	-	(101,102)	(7,000)	(7,000)	72,056	43,046	-
Net effective interest rate gap	(42,802)	58,407	10,254	43,296	(2,534)	(13,741)	52,880

Note 35 – Financial Risk Management (continued)

Audited 31 December 2014

Thousands of dollars	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Financial assets							
Cash, cash equivalents and balances with central banks	620	376,000	-	-	-	-	376,620
Amounts due from related parties	-	246	-	-	-	-	246
Due from banks and other financial institutions	-	205,000	-	-	-	-	205,000
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets held to maturity							
Available-for-sale assets	-	-	-	-	-	-	-
Derivative financial assets	20	-	-	-	-	-	20
Loans and advances	-	6,724	35	6,142	16,150	56,645	85,696
Other financial assets	702	-	-	-	-	152	854
Total financial Assets	1,342	587,970	35	6,142	16,150	56,797	668,436
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	517,694	-	25,500	3,825	-	547,019
Financial liabilities held for trading	-	-	-	-	-	-	-
Derivative financial liability							
Deposits from customers	6,136	5,835	1,180	167	-	-	13,318
Certificates of deposit	-	-	-	-	-	-	-
Debt securities issued	-	25,000	-	-	-	25,000	50,000
Other financial liabilities	2,864	-	-	-	-	-	2,864
Total financial liabilities	9,000	548,530	1,180	25,667	3,825	25,000	613,202
On-balance sheet gap	(7,658)	39,440	(1,145)	(19,525)	12,325	31,797	55,234
Net derivative notional principals	-	(25,000)	-	-	-	25,000	-
Net effective interest rate gap	(7,658)	14,440	(1,145)	(19,525)	12,325	56,797	55,234

Note 35 – Financial Risk Management (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads. The Bank takes an exposure to the effects of fluctuations in the prevailing levels of market interest rate cash flow risks. The fair value risk is not material.

The tables below summarise the before-tax sensitivity of financial assets and liabilities to changes in interest rate. The market value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity analysis is performed based on the reporting of interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

Audited 31 December 2015

Thousands of dollars	Carrying amount	-0.1% Profit	+0.1% Profit	-0.1% Equity	+0.1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	86,816	-	-	-	-
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	265,908	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Financial assets held to maturity	4,942	(2)	2	(2)	2
Available-for-sale assets	-	-	-	-	-
Derivative financial assets	665	51	(51)	51	(51)
Loans and advances to customers	379,889	(287)	287	(287)	287
Other financial assets	1,961	-	-	-	-
Total financial assets	740,181	(238)	238	(238)	238
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	460,976	48	(48)	48	(48)
Financial liabilities held for trading	-	-	-	-	-
Derivative financial liability	8,982	56	(56)	56	(56)
Deposits from customers	127,337	-	-	-	-
Certificates of deposit	14,884	-	-	-	-
Debt securities issued	70,411	45	(45)	45	(45)
Other financial liabilities	4,710	-	-	-	-
Total financial liabilities	687,301	149	(149)	149	(149)

Note 35 – Financial Risk Management (continued)

Audited 31 December 2014

Thousands of dollars	Carrying amount	-0.1% Profit	+0.1% Profit	-0.1% Equity	+0.1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	376,620	(1)	1	(1)	1
Amounts due from related parties	246	-	-	-	-
Due from banks and other financial institutions	205,000	(3)	3	(3)	3
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Derivative financial assets	20	-	-	-	-
Loans and advances to customers	85,696	(80)	80	(80)	80
Other financial assets	854	-	-	-	-
Total financial assets	668,436	(84)	84	(84)	84
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	547,019	30	(30)	30	(30)
Financial liabilities held for trading	-	-	-	-	-
Derivative financial liability		-	-	-	-
Deposits from customers	13,318	1	(1)	1	(1)
Certificates of deposit	-	-	-	-	-
Debt securities issued	50,000	50	(50)	50	(50)
Other financial liabilities	2,864	-	-	-	-
Total financial liabilities	613,202	81	(81)	81	(81)

Note 35 – Financial Risk Management (continued)

E. Foreign Currency Risk

Foreign exchange risk is the risk that the Bank would be adversely impacted from unfavourable movements in foreign currency rates. The Bank manages its currency risk through various methods including limitation management and risk hedging to hedge foreign exchange risk, and performing currency risk sensitivity analysis and stress testing regularly. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at year end. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Audited 31 December 2015

Thousands of dollars	GBP	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	-	-	871	36,446	78	37,395
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	-	-	4,351	40,939	-	45,290
Other financial assets	-	-	15	402	-	417
Total financial assets	-	-	5,237	77,787	78	83,102
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	-	173,978	-	173,978
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	-	-	1,742	101,352	5,331	108,425
Certificates of deposit	-	-	-	-	-	-
Debt securities issued	-	-	-	20,411	-	20,411
Other financial liabilities	-	-	50	974	-	1,024
Total financial liabilities	-	-	1,793	296,715	5,331	303,839
Net on balance sheet financial position	-	-	3,444	(218,928)	(5,253)	(220,737)
Net derivative position	-	-	(3,444)	219,507	5,272	221,335
Total open position	-	-	-	579	19	598

Note 35 – Financial Risk Management (continued)

Audited 31 December 2014

Thousands of dollars	GBP	EUR	CNY	USD	AUD	Total
Financial assets						
Cash and cash equivalents	-	46	702	1,267	-	2,015
Amounts due from related parties	-	-	246	-	-	246
Due from banks and other financial institutions	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	-	-	33,477	-	33,477
Other financial assets	-	-	-	86	-	86
Total financial assets	-	46	948	34,830	-	35,824
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	-	29,325	-	29,325
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	-	46	815	5,444	-	6,305
Certificates of deposit	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	-	-	2	309	-	311
Total financial liabilities	-	46	818	35,078	-	35,942
Net on balance sheet financial position	-	-	130	(248)	-	(118)
Net derivative position	-	-	-	-	-	-
Total open position	-	-	130	(248)	-	(118)

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Note 35 – Financial Risk Management (continued)

The tables below summarise the before-tax sensitivity of financial assets and liabilities to changes in currency risks. The market value of the assets and liabilities was used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity analysis is performed based on the reporting of foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

Audited 31 December 2015

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	37,395	(3,739)	3,739	(3,739)	3,739
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances to customers	45,290	(4,529)	4,529	(4,529)	4,529
Other financial assets	417	(42)	42	(42)	42
Total financial assets	83,102	(8,310)	8,310	(8,310)	8,310
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	173,978	17,398	(17,398)	17,398	(17,398)
Financial liabilities held for trading	-	-	-	-	-
Deposits from customers	108,425	10,843	(10,843)	10,843	(10,843)
Certificates of deposit	-	-	-	-	-
Debt securities issued	20,411	2,041	(2,041)	2,041	(2,041)
Other financial liabilities	1,024	102	(102)	102	(102)
Total financial liabilities	303,839	30,384	(30,384)	30,384	(30,384)
Net derivative position	221,335	(22,134)	22,134	(22,134)	22,134
Total open position	598	(60)	60	(60)	60

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Note 35 – Financial Risk Management (continued)

Audited 31 December 2014

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	2,015	(201)	201	(201)	201
Amounts due from related parties	246	(25)	25	(25)	25
Due from banks and other financial institutions	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances to customers	33,477	(3,348)	3,348	(3,348)	3,348
Other financial assets	86	(8)	8	(8)	8
Total financial assets	35,824	(3,582)	3,582	(3,582)	3,582
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	29,325	2,933	(2,933)	2,933	(2,933)
Financial liabilities held for trading	-	-	-	-	-
Deposits from customers	6,305	630	(630)	630	(630)
Certificates of deposit	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	311	31	(31)	31	(31)
Total financial liabilities	35,942	3,594	(3,594)	3,594	(3,594)
Net derivative position	-	-	-	-	-
Total open position	(118)	12	(12)	12	(12)

F. Operational Risk

The Bank defines operational risks as risks of loss resulting from inadequate or failed internal processes, controls, systems and/or from external parties. It is a pervasive risk that involves all aspects of the Bank as well as other counterparties with whom the Bank deals under day to day operations. The Bank's policy is to ensure that the risk of losses from operational failure is minimised. To this purpose the Bank has a variety of control systems. Operational procedures are reviewed regularly by Senior Management and Internal Audit, and with a frequency determined by the level of risks involved.

G. Equity Risk

The Bank did not have any equity risk exposure as at balance date 31 December 2015 (2014: nil).

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Note 35 – Financial Risk Management (continued)

H. Financial Instruments by Category

Audited 31 December 2015

Thousands of dollars	Loans and receivables	Available for sale	Held for Trading	Designated at FVTPL	Held to Maturity	Total
Financial assets						
Cash, cash equivalents and balances with central banks	86,816	-	-	-	-	86,816
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	265,908	-	-	-	-	265,908
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	4,942	4,942
Available-for-sale assets	-	-	-	-	-	-
Derivative financial assets	-	-	665	-	-	665
Loans and advances to customers	379,889	-	-	-	-	379,889
Other financial assets	1,961	-	-	-	-	1,961
Total financial assets	734,574	-	665	-	4,942	740,181

Thousands of dollars	Held for Trading	Designated at FVTPL	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Financial liabilities					
Due to central banks and other financial institutions	-	-	-	1	1
Amounts due to related parties	-	-	-	460,976	460,976
Financial liabilities held for trading	-	-	-	-	-
Derivative financial liability	8,982	-	-	-	8,982
Deposits from customers	-	-	-	127,337	127,337
Certificates of deposit	-	-	-	14,884	14,884
Debt securities issued	-	-	-	70,411	70,411
Other financial liabilities	-	-	-	4,710	4,710
Total financial liabilities	8,982	-	-	678,319	687,301

Note 35 – Financial Risk Management (continued)

Audited 31 December 2014

Thousands of dollars	Loans and receivables	Available for sale	Held for Trading	Designated at FVTPL	Held to Maturity	Total
Financial assets						
Cash, cash equivalents and balances with central banks	376,620	-	-	-	-	376,620
Amounts due from related parties	246	-	-	-	-	246
Due from banks and other financial institutions	205,000	-	-	-	-	205,000
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Derivative financial assets	-	-	20	-	-	20
Loans and advances to customers	85,696	-	-	-	-	85,696
Other financial assets	854	-	-	-	-	854
Total financial assets	668,416	-	20	-	-	668,436

Thousands of dollars	Held for Trading	Designated at FVTPL	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Financial liabilities					
Due to central banks and other financial institutions	-	-	-	1	1
Amounts due to related parties	-	-	-	547,019	547,019
Financial liabilities held for trading	-	-	-	-	-
Derivative financial liability	-	-	-		
Deposits from customers	-	-	-	13,318	13,318
Certificates of deposit	-	-	-	-	-
Debt securities issued	-	-	-	50,000	50,000
Other financial liabilities	-	-	-	2,864	2,864
Total financial liabilities	-	-	-	613,202	613,202

Note 35 – Financial Risk Management (continued)

I. **Fair value of Financial Instruments**

Audited 31 December 2015

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	86,816	86,816
Amounts due from related parties	-	-
Due from banks and other financial institutions	265,908	265,908
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	4,942	4,953
Available-for-sale assets	-	-
Derivative financial assets	665	665
Loans and advances to customers	379,889	380,101
Other financial assets	1,961	1,961
Total financial assets	740,181	740,404
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	460,976	460,242
Financial liabilities held for trading	-	-
Derivative financial liability	8,982	8,982
Deposits from customers	127,337	127,149
Certificates of deposit	14,884	14,884
Debt securities issued	70,411	70,956
Other financial liabilities	4,710	4,710
Total financial liabilities	687,301	686,924

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Note 35 – Financial Risk Management (continued)

Audited 31 December 2014

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	376,620	376,620
Amounts due from related parties	246	244
Due from banks and other financial institutions	205,000	205,000
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	-	-
Available-for-sale assets	-	-
Derivative financial assets	20	20
Loans and advances to customers	85,696	85,361
Other financial assets	854	854
Total financial assets	668,436	668,099
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	547,019	546,832
Financial liabilities held for trading	-	-
Derivative financial liability	-	-
Deposits from customers	13,318	13,285
Certificates of deposit	-	-
Debt securities issued	50,000	46,905
Other financial liabilities	2,864	2,864
Total financial liabilities	613,202	609,887

J. Fair value Assumptions

i. The carrying value of cash and cash equivalents is the fair value.

ii. For on demand and deposits from customers maturing within six months, due from/to other financial institutions, the carrying value is considered to be the fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.

iii. The carrying value of loans and advances to customers is net of allowance for impairment loss. For loans and advances to customers maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value are calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.

iv. For amounts due from/to related parties maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.

v. The fair value of financial assets held to maturity, derivative financial instruments, and debt securities is determined by a discounted cash flow basis, which is based on the interest rate repricing and maturity of the instruments.

vi. The carrying value of other financial assets and liabilities is considered to be the fair value.

K. Fair Value Measurements Recognised in the Balance Sheet

Under NZ IFRS 7, the fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

KPMG

Note 35 – Financial Risk Management (continued)

Audited 31 December 2015

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	FX contracts	Interest rate swaps	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	(8,144)	(173)	(8,317)
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	(8,144)	(173)	(8,317)

Audited 31 December 2014

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	FX contracts	Interest rate swaps	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	-	20	20
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	-	20	20

Note 36 – Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date the Bank was not involved in:

- The establishment, marketing, or sponsorship of trust, custodial, funds management or other fiduciary activities; or
- The origination of securitised assets; or
- The marketing or servicing of securitisation schemes; or
- The marketing and distribution of insurance products or conducting of insurance business.

Note 37 – Risk Management Policies

The Bank's objective is to appropriately manage all the risks that arise from its activities. A review of the risk appetite of the Bank is conducted at least annually by the Board. Based upon this review, an assessment of the relevant policies, systems, and reporting is undertaken to ensure that they are consistent with the stated risk appetite of the Bank.

A. Specific Areas of Risk Management
The Bank's Key areas of risk are Strategic and Business risk (managed by the Board through annual and three and five year business plan); Financial Risks including Credit risk, interest rate risk, liquidity risk, Foreign Exchange risk and Operational Risk (managed through internal controls and procedures), Financial and operational risk management appetites, objectives, policies, strategies, and processes are documented in note 35 of the financial statements.

B. Role of the Board and its Committees
The Board has responsibility for setting the Bank's risk appetite, governance, and formulating risk management policy. The Board is assisted in meeting this responsibility through the operation of three committees responsible for various facets of risk. Each committee can advise and make recommendations however decision making rests with the Board of Directors.

C. Audit Committee
The Board through the Audit Committee is primarily responsible for:

1. Overseeing the effectiveness and integrity of the Bank's financial controls; financial reporting process; and internal audit functions;
2. Providing assurance on the governance and controls covering key business processes;
3. Ensuring the quality and independence of the external audit process;
4. Reviewing the annual audit plan with the external auditor;
5. Reviewing audit findings;
6. Reviewing interim financial information and the annual financial statements;
7. Reviewing accounting policies;
8. Overseeing the legal compliance and statutory responsibilities of the Bank;
9. Reviewing the appointment of the external auditor and their fees;
10. Reviewing the internal auditors and their activities;
11. Ensuring that recommendations highlighted in internal audit reports are actioned by management; and
12. Supervising special investigations when requested by the Board.

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Note 37 – Risk Management Policies (continued)

D. Risk Committee
The Board through the Risk Committee is primarily responsible for:

1. Overseeing the effectiveness and integrity of the Financial, Operational and Reputational risk management framework and risk reporting in the context of the approved strategic objectives and risk appetite of the Bank;
2. Reviewing the appropriate Financial, Operational and Reputational risk appetite of the Bank;
3. Reviewing the Financial, Operational and Reputational risk management policies, limits, and delegations of the Bank;
4. Monitoring management's operation within the approved risk management programme including the identification and evaluation of Financial, Operational and Reputational risks, the establishment of plans to manage and mitigate those risks and the monitoring of their implementation;
5. Reviewing and monitoring the Anti-Money Laundering/Counter Financing of Terrorism Compliance Programme, policies and risks of the Bank.

E. Remuneration Committee
The Board through the Appointment and Remuneration Committee is primarily responsible for:

1. Overseeing the effectiveness and integrity of human resource policies of the Bank;
2. Providing governance oversight and assurance on the controls surrounding Executive management and Board human resource processes, including appointments, remuneration and performance processes;
3. Reviewing the people risk management policies, limits, and delegations of the Bank;
4. Reviewing and making annual recommendations to the Board regarding the performance of the CEO, CEO's assessment report of other senior executives who report directly to the CEO and any other person considered to be in a role with material influence;
5. Reviewing the recruitment policy of the Bank and undertaking an assessment of persons captured by the policy to ensure integrity of the recruitment process.

F. Internal Audit Function
The Bank utilises ICBC's internal audit function as a control measure to enable both ICBC and senior management of the Bank to monitor and review the Bank on an ongoing basis. The internal audit function of the Bank is part of ICBC's policy to ensure that all ICBC branches and subsidiaries have appropriate systems and procedures in place and comply with all applicable home and host country regulations. Specifically, the Bank is subject to the following internal audit measures:

Internal audit carried out by an inspecting officer appointed by ICBC from time to time; and
Every three years, senior executives from ICBC (for example, a general manager and an executive officer) will undertake an on-site inspection at the Bank.

G. Capital Adequacy
The Board and senior management undertake capital planning, in accordance with the Bank's internal capital adequacy assessment policy. As part of the capital planning process, the Board reviews:

1. The current capital requirements of the Bank;
2. The targeted and sustainable capital in terms of business strategy and risk appetite; and
3. Future capital planning (with a three year outlook).

The capital plan is revised on an annual basis or more regularly, if necessary, to meet the Bank's obligations under the Capital Adequacy Framework (BS2A). For further information see Note 38.

H. Credit Risk Mitigation and Collateral
The Bank uses different risk mitigation techniques to reduce the credit risk arising from its lending activities.

Note 38 – Capital Adequacy

(a) Issued Capital
The Bank has 60,377,729 fully paid up ordinary shares (tier one capital) issued at NZ $1 per share as at 31 December 2015.

ICBC is the sole shareholder. Each share confers on the holder the right to:

- one vote on a poll at a meeting of the shareholders on any resolution to:
  - appoint or remove a Director or auditor; or
  - alter the Bank's constitution; or
  - approve a major transaction; or
  - approve an amalgamation under section 221 of the Companies Act 1993; or
  - put the Bank into liquidation;
- a proportionate share in dividends authorised by the Board; and
- a proportionate share in the distribution of the surplus assets of the Bank.

(b) Other Classes of Capital Instrument
The Bank does not have any other classes of capital instrument in its capital structure.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk weighted exposures. As a condition of registration, the Bank must comply with the following minimum capital requirements set by the RBNZ:

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Note 38 – Capital Adequacy (continued)

- The Total capital ratio of the Banking Group is not less than 8%;
- The Tier 1 capital ratio of the Banking Group is not less than 6%;
- The Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5%; and
- The Total capital of the Banking Group is not less than $30 million.

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios as at 31 December 2015 and 31 December 2014. The Bank has complied with both regulatory and internal capital adequacy requirements.

The Bank has considered other material risks not included below and whether to allocate any capital to cover these risks and concluded that these risks are not significant and has therefore not allocated any capital to cover them.

(c) Tier one and two Capital

Thousands of dollars	31 December 2015	31 December 2014
Tier one capital		
Common Equity Tier one capital		
Issued and fully paid up share capital	60,378	60,378
Retained earnings	(6,118)	(3,162)
Accumulated other comprehensive income and other disclosed reserves	-	-
Interest from issue of ordinary shares	-	-
Less:	-	-
Goodwill and other intangible assets	(4)	(7)
Regulatory adjustments	-	-
Deferred tax assets	-	-
Total common equity tier one capital	54,256	57,209
Additional Tier one capital		
High-quality capital	-	-
Instruments issued	-	-
Share premium from issue of instruments	-	-
Associated retained earnings	-	-
Less: Regulatory adjustments	-	-
Total additional tier one capital	-	-
Total tier one capital	54,256	57,209
Tier two capital		
Instruments issued by bank	-	-
Share premium from issue of instruments	-	-
Revaluation reserves	-	-
Foreign currency translation reserves	-	-
Less: Regulatory adjustments	-	-
Total tier two capital	-	-
Total capital	54,256	57,209

Note 38 – Capital Adequacy (continued)

(d) Credit Risk

31 December 2015 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	114,048	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	2,211	20%	442	35
Banks rating grade 1	204,090	20%	40,818	3,266
Banks rating grade 2 (≤3 months)	39,958	20%	7,992	639
Banks rating grade 2 (>3 months)	3,519	50%	1,759	141
Banks rating grade 3 (>3 months)	4,693	50%	2,347	188
Banks rating grade 4 (>3 months)	1,189	50%	594	48
Banks unrated (≤3 months)	4,518	20%	904	72
Banks unrated (>3 months)	10,443	50%	5,222	418
Corporate-without recognised mitigation	163,766	100%	163,766	13,101
Corporate-secured by collateral	87,874	20%	17,575	1,406
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	51,320	35%	17,962	1,437
Residential mortgages (investment) not past due -LVR up to 80%.	51,090	40%	20,436	1,635
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	3,018	100%	3,018	241
Total on balance sheet exposures after credit risk mitigation	741,737	-	282,835	22,627

Note 38 – Capital Adequacy (continued)

31 December 2015 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	4,615	50%	2,307	100%	2,307	185
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	153,116	50%	76,558	100%	76,558	6,124
Other commitments where original maturity is less than or equal to one year	15,178	20%	3,036	100%	3,036	243
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	224,780	1%	2,248	100%	2,248	180
(b) Interest rate contracts (exposure less than 1 year)	14,000	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	140,502	0.50%	702	100%	702	56
Interest rate contracts (exposure more than 5 years)	2,000	1.50%	30	100%	30	2
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	554,191	-	84,881	-	84,881	6,790

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Note 38 – Capital Adequacy (continued)

31 December 2014 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	280,435	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	-	-	-	-
Banks rating grade 1	299,204	20%	59,841	4,787
Banks rating grade 2 (≤3 months)	2,228	20%	446	36
Banks rating grade 2 (>3 months)	-	-	-	-
Banks rating grade 3 (>3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	820	50%	410	33
Banks unrated (≤3 months)	2,532	20%	506	40
Banks unrated (>3 months)	-	-	-	-
Corporate-without recognised mitigation	53,912	100%	53,912	4,313
Corporate-secured by collateral	3,330	20%	666	53
Corporate-guaranteed	14,344	100%	14,344	1,148
Residential mortgages (owner occupied) not past due -LVR up to 80%.	11,233	35%	3,931	315
Residential mortgages (investment) not past due -LVR up to 80%.	-	-	-	-
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	2,438	100%	2,438	195
Total on balance sheet exposures after credit risk mitigation	670,476	-	136,494	10,920

Note 38 – Capital Adequacy (continued)

31 December 2014 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	4,098	50%	2,049	100%	2,049	164
Trade-related contingency	6,632	20%	1,326	100%	1,326	106
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	18,754	50%	9,377	100%	9,377	750
Other commitments where original maturity is less than or equal to one year	-	-	-	-	-	-
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	-	-	-	-	-	-
(b) Interest rate contracts (exposure less than 1 year)	-	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	25,000	0.50%	125	100%	125	10
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	54,484	-	12,877	-	12,877	1,030

Credit Risk Mitigation
The Bank recognises on- and off-balance sheet netting in a simple and limited form. It is used to measure the mitigating effects of collateral for corporate loans secured by deposits and mortgage loans secured by charge over residential property.

Note 38 – Capital Adequacy (continued)

(e) Residential mortgages by loan-to-valuation ratio

31 December 2015

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	102,410	-	-	102,410

31 December 2014

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	11,233	-	-	11,233

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	31 December 2015	31 December 2014
Residential mortgage loans (as disclosed in Note 13)	102,410	11,233
Residential mortgages by loan-to-valuation ratio	102,410	11,233

(g) Credit risk mitigation

31 December 2015 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	87,874	-
Residential mortgage	102,410	-
Other	-	-
Total	190,284	-

31 December 2014 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	3,330	14,344
Residential mortgage	11,233	-
Other	-	-
Total	14,563	14,344

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Note 38 – Capital Adequacy (continued)

(h) Operational risk capital requirement

31 December 2015

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	34,200	2,736

31 December 2014

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	4,407	353

(i) Market Risk

Market risk exposures have been calculated in accordance with the methodology detailed in Part 10 of the RBNZ's BS2A Capital Adequacy framework, and schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). Peak exposures are calculated using the Bank's shareholders equity at the end of the period.

31 December 2015

	End-period capital charges		Peak end-to-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	25,025	2,002	49,800	3,984
Foreign currency risk	600	48	4,263	341
Equity risk	-	-	-	-
Total capital requirements	25,625	2,050	54,063	4,325

31 December 2015

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,295,928	367,716	29,417
Operational risk	-	34,200	2,736
Market risk	-	25,625	2,050
Total	1,295,928	427,541	34,203

31 December 2014

	End-period capital charges		Peak end-to-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	3,563	285	7,063	565
Foreign currency risk	125	10	500	40
Equity risk	-	-	-	-
Total capital requirements	3,688	295	7,563	605

31 December 2014

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	724,960	149,371	11,950
Operational risk		4,407	353
Market risk		3,688	295
Total	724,960	157,466	12,598

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Capital ratios

Regulatory Capital Ratios	Regulatory Minimum	31 December 2015	31 December 2014	31 December 2013
Common Equity Tier 1 Capital Ratio	4.50%	12.69%	36.33%	394.79%
Tier 1 Capital Ratio	6.00%	12.69%	36.33%	394.79%
Total Qualifying Capital Ratio	8.00%	12.69%	36.33%	394.79%
RBNZ required Buffer Ratio	2.50%	4.69%	28.33%	386.79%

(j) Capital for Other Material Risks

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements, namely strategic risk, reputational risk and start-up business risk. Noting this, the Bank has set additional buffer at 2% (31 December 2014:2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment.

(k) Capital adequacy of Ultimate Parent Bank

The Ultimate Parent Bank of the Industrial and Commercial Bank of China (New Zealand) Limited is ICBC. The Ultimate Parent Bank Group comprises the Ultimate Parent Bank and its subsidiaries.

Both the Ultimate Parent Bank and the Ultimate Parent Bank Group are required by the China Banking Regulatory Commission (CBRC) to hold minimum capital at least equal to that specified under the standardised Basel II approach and are required to publicly disclose this capital adequacy information on a quarterly basis. This information is made available to users via the ICBC website (www.icbc.com.cn).

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBRC as at 30 September 2015, the latest reporting date.

The capital ratios below have been calculated in accordance with the Measures for Capital Management of Commercial Banks (Trial), issued by the CBRC.

	As at 30 Sept 2015	As at 31 Dec 2014
Ultimate Parent Bank Group		
Common Equity Tier 1 Capital Ratio	12.41%	11.92%
Tier 1 Capital Ratio	12.67%	12.19%
Total Capital Ratio	14.43%	14.53%
Ultimate Parent Bank		
Common Equity Tier 1 Capital Ratio	12.42%	12.05%
Tier 1 Capital Ratio	12.70%	12.35%
Total Qualifying Capital Ratio	14.44%	14.70%

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Appendix 2 - Deed of Guarantee

Dated 27 August 2015

DEED OF GUARANTEE

By

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

In respect of the obligations of

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Certified "true copy" of the original

A Solicitor of the High Court of New Zealand

Nathan Edwin Hansen-Thorpe
Solicitor
Auckland

CONTENTS

THIS DEED is made on 27 August 2015

BY

(1) **INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED** a body corporate constituted under The Company Law of PRC and Law of the PRC on Commercial Banks, having its registered office at No.55 Fuxingmennei Ave, Xicheng District, Beijing, China (hereinafter referred to as the "**Bank**")

AND

(2) **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED** a company incorporated in New Zealand having its registered office at Level 11, 188 Quay Street, Auckland 1010, New Zealand (hereinafter referred to as "**ICBC NZ**")

IN FAVOUR OF

(3) **EACH CREDITOR OF ICBC NZ**

WHEREAS:

A. ICBC NZ is a wholly owned subsidiary of the Bank and set up for the purpose of doing the business of banking in New Zealand.

B. The Bank enters into this Deed of Guarantee for the purpose of guaranteeing the obligations of its subsidiary, ICBC NZ, to the extent provided for by the terms of this Deed.

1. DEFINITIONS AND INTERPRETATION

1.1 In this Deed and in the Recitals, unless the context otherwise requires:

"**Authorised Officer**" means, where a Creditor is a Person other than a natural person, a director of secretary of that Person or a person duly authorised by the Creditor under the resolution and seal of the Person;

"**Business Day**" means any day, other than a Saturday or Sunday or public holiday, on which banks are open for general business in Wellington and Auckland;

"**Creditor**" means each and any Person to whom en Obligation is due and owed by ICBC NZ ;

"**Guarantee**" means the guarantee by the Bank for the benefit of the Creditors pursuant and subject to the terms and conditions of this Deed;

"**Obligation**" means all payment obligations of any nature to or for the benefit of Creditors ranking at least pari passu with the claims of unsecured unsubordinated creditors of ICBC NZ, whether actual or contingent, present or future, secured or unsecured and whether incurred alone, severally or jointly as principal, surety or otherwise, but which, in each case, has been incurred by ICBC NZ prior to termination of the Guarantee in accordance with clause 6;

"Person" means any person, firm, trust, estate, corporation, association, co-operative, government or governmental agency;

"Rating Agencies" means, as at the date of this Deed, Standard & Poor's (Australia) Pty Limited and Moody's Investors Services Inc. and any successor or replacement thereto and includes from time to time, such other reputable internally recognised rating agency as ICBC NZ may wish to designate;

"Repayment Obligation" means an Obligation incurred by ICBC NZ in relation to one or more of the following:

(a) accepting deposits of any kind from any person;

(b) at the request of its customer, issuing a guarantee, indemnity, letter of credit, performance bond or like instrument in favour of a third party Creditor;

(c) raising money by whatever means but on terms that (and only to the extent that) the recourse comprises a direct and unconditional payment obligation of ICBC NZ;

(d) issuing any redeemable preference shares; or

(e) entering into any swap, foreign exchange contract, hedging or other derivative or risk management transaction or product, to the extent of the net settlement amount if such transaction or product is or was to be termination or such a settlement amount is or was otherwise to become payable at the relevant time.

1.2 Words importing the singular number or plural number shall include the plural number and singular number respectively. Words importing any gender shall include every gender.

1.3 References to laws, statutes or legislation are to the laws, statues or legislation for the time being in force in New Zealand, unless the contrary appears from the context of this Deed.

2. **GUARANTEE**

2.1 The Bank hereby irrevocably and unconditionally guarantees for the benefit of each Creditor the due and punctual payment by ICBC NZ of each and every Obligation as and when it becomes due and payable (whether at stated maturity or upon acceleration or otherwise) incurred by ICBC NZ to the Creditor prior to the termination of this Guarantee in accordance with clause 6, to the intent that should ICBC NZ default in the due and punctual payment of any such Obligation, the Bank shall, upon written demand by the relevant Creditor under clause 3, forthwith pay or cause to be paid to the Creditor all amounts then due and unpaid with respect to such Obligation together with all costs and expenses incurred by the Creditor in enforcing the Guarantee. For the avoidance of doubt, the Guarantee is a payment guarantee.

2.2 The Guarantee is a continuing guarantee and shall not be considered as satisfied by any intermediate payment and shall remain in force in respect of each and every Obligation incurred by ICBC NZ to the Creditor prior to the termination of the Guarantee in accordance with clause 6 until the relevant Obligation has been satisfied in full.

2.3 Subject to the terms of this Deed, neither the liability of the Bank, nor any of the rights of any Creditor, under this Guarantee shall be affected or discharged by anything which, but for this clause, might operate to affect or discharge the liability of, or otherwise provide a defence to, the Bank (whether or not known to, or done or omitted to be done by, the Bank), including:

(a) the granting of time, credit, accommodation, indulgence, waiver or other concession to ICBC NZ or any other person whether by the Creditor or any other person (whether at the request of the Bank, ICBC NZ or any other person);

(b) any insolvency, administration, liquidation, receivership or reorganisation of ICBC NZ;

(c) any liability of ICBC NZ or any other person ceasing from any cause whatever (including any release or discharge by a Creditor or by operation of law);

(d) the Guarantee or any other agreement or right held or available to the Creditor, at any time being or becoming in whole or in part void, voidable, defective, illegal or unenforceable for any reason or being released, discharged or varied in whole or in part;

(e) any variation, amendment, compromise, release, abandonment, relinquishment or renewal (whether or not having the effect of increasing the liability of the Bank or any other person) of any Obligation;

(f) anything done or omitted or neglected to be done by a Creditor under this Deed or any other agreement; or

(g) any other thing whatever, other than a release of the Bank's obligations under and in accordance with this Deed.

2.4 The Bank waives in favour of each Creditor all rights and defences whatsoever against ICBC NZ and each other person (including rights of subrogation, contribution, marshalling, set-off or counterclaim or any other contractual defences) to the extent strictly necessary to give effect to the Guarantee.

2.5 Notwithstanding clause 2.2, a Creditor may at any time by an instrument in writing, release the Bank from its liability under the Guarantee in relation to that Creditor.

3. DEMAND

3.1 A Creditor shall be entitled to make a demand under the Guarantee by delivering a certificate signed by an Authorised Officer of that Creditor, to the address set out in clause 9 setting out the below:

(a) the residency and place of business of the Creditor;

(b) particulars of the Obligation in respect of which demand is being made by the Creditor;

(c) that ICBC NZ has defaulted in payment and that there is a debt immediately due and payable which remains unpaid beyond its due date (taking into account any relevant grace periods) and that there are no prior conditions to payment which remain unsatisfied;

(d) for any Obligation which is not a Repayment Obligation, that ICBC NZ has had the opportunity to dispute the existence of the Obligation and if, after such opportunity, that dispute has been fully and finally resolved and the Obligation has become indisputably payable by ICBC NZ;

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(e) the outstanding amount and currency of that Obligation;

(f) that the Obligation rank at least pari passu with the claims of other unsecured unsubordinated creditors of ICBC NZ generally; and

(g) the account to which the amount of the claim is to be paid,

accompanied by a copy, verified by an Authorised Officer of the Creditor, of any agreement, instrument or statement of account or other document which is evidence of the due and payable Obligation.

3.2 Service of the Creditors Demand and all accompanying documents under clause 3.1 on the Bank shall constitute a written demand by the Creditor under clause 2.1.

3.3 Upon receipt of a written demand under clause 3.1 (such demand being accompanied with all relevant requirements set out in clause 3.1 and in the case of clause 3.1(d), the Bank shall be entitled to first verify the matters certified within a reasonable timeframe), the Bank hereby covenants for the benefit of each Creditor to pay to the bank account nominated by the Creditor within five Business Days of receipt of all such requirements (and in the case of clause 3.1(d), following verification process as mentioned above), the amount claimed by the Creditor in the relevant written demand in accordance with clause 4.

4. PAYMENTS

4.1 All payments by the Bank under this Deed shall be made in the currency or currencies in which the relevant Obligation is denominated.

4.2 Payments hereunder shall be made:

(a) free and clear of any restrictions or condition;

(b) free and clear of and (except to the extent required by law) without any deduction or withholding on account of any taxes or any other amount, whether by way of set-off or otherwise (but excluding any taxes on overall net income).

4.3 In the event that the Bank is prohibited by law from making payments hereunder free of deductions or withholdings (but excluding any taxes on overall net income), then the Bank shall pay such additional amount to the relevant Creditor as may be necessary in order that the actual amount received after all applicable deductions and withholdings shall equal the amount that would have been received if such deductions or withholdings were not required.

5. REPRESENTATIONS

5.1 The Bank represents and warrants that:

(a) it is a registered bank duly organised and validly existing under the laws of China;

(b) it has the corporate power to enter into this Deed and to perform the obligations imposed upon it under this Deed in accordance with its terms; and

(c) this Deed constitutes a valid, binding and enforceable obligation upon it.

6. TERMINATION OF GUARANTEE

6.1 Notwithstanding anything to the contrary in this Deed, the Guarantee shall terminate on the first to occur of the following events:

(a) if:

(i) any substantial asset of ICBC NZ; or

(ii) any share in the issued capital of ICBC NZ,

is expropriated or nationalised by the Government of New Zealand or by any political subdivision thereof (the "**Government**") or any entity succeeding to the powers of any such Government or any agency of any such Government or any such successor entity or any authority which is owned or controlled by any such Government or any such successor entity except where such expropriation or nationalisation results from the default by ICBC NZ of any statute, regulation or other binding law; or

(b) a change in any law or regulation in any jurisdiction which renders the Guarantee illegal or inoperative in New Zealand; or

(c) ICBC NZ ceasing to be a wholly owned subsidiary of the Bank; or

(d) following by notice in writing by the Bank to ICBC NZ (specifying a termination date for the Guarantee which shall be at least three months following the giving of notice by ICBC NZ to its Creditors by an advertisement circulating generally throughout New Zealand in accordance with clause 6.2).

6.2 On receipt of notice of termination of the Guarantee pursuant to clause 6.1, ICBC NZ shall give notice of such termination by an advertisement in a newspaper circulating generally throughout New Zealand and to each Rating Agency.

6.3 Any termination of the Guarantee must be subject to:

(a) the Guarantee remaining in place for the benefit of each Creditor owed Obligations which have been incurred on or prior to the date of termination described in clause 6.1, but only in relation to and to the extent of those Obligations; and

(b) the Guarantee shall only terminate in respect of each Creditor referred to in clause 6.3(a) once the relevant Obligations have been satisfied in full (whether by action taken by the Bank, ICBC NZ, the relevant Creditor or by operation of law) and following expiration of any bankruptcy or other regulatory preference periods (as applicable).

7. SUBROGATION

7.1 Subject to clauses 2.3 and 2.4, the Bank and ICBC NZ expressly agree that the Bank is and shall be entitled to all the rights and remedies of a guarantor under law including, without limiting the generality of the foregoing, all rights of subrogation which shall accrue to the Bank by virtue of any payment hereunder by the Bank to or for the benefit of any Creditor and, subject to the law, the Bank shall be entitled to claim the benefit of and participate in any security now or hereafter held by that Creditor from ICBC NZ either in whole or upon a pro-rata basis, as the case may be, where the

Bank has paid all moneys owing to that Creditor in respect of an Obligation in accordance with this Deed. Notwithstanding the generality of the foregoing, the Bank shall not exercise or seek to enforce any claim against ICBC NZ (whether or not in liquidation) for reimbursement to the Bank of any moneys paid pursuant to this Deed by the Bank to a Creditor in respect of an Obligation until the default of ICBC NZ in respect of that Obligation has been fully remedied by ICBC NZ or the Bank.

8. DEALINGS BETWEEN THE BANK AND THE CREDITORS

8.1 After receipt of a written demand from a Creditor under clause 3 the Bank and that Creditor shall deal with one another as principal in relation to all matters under or in relation to this Deed, the Guarantee and ICBC NZ.

8.2 Without limiting the generality of clause 9, the Bank shall be and is entitled to serve any notice, demands or statements in connection with this Deed upon that Creditor (at its place of business specified in the Creditor's written demand to the Bank under clause 3) and the Bank shall be and is entitled to make any payment which it is liable to pay to the Creditor under this Deed directly to that Creditor and not through any other Person.

9. NOTICES

9.1 Any notice to the Creditors generally in respect of this Deed will be validly given if published in a newspaper circulating generally throughout New Zealand. Any such notice shall be deemed to have been given on the date of publication or, if published more than once, on the date of first publication.

9.2 Any notice, demand, statement or other document required to be served on or delivered to the Bank or ICBC NZ under or in relation to this Deed (**"Notice"**) shall be in writing signed by the party giving the Notice or by an Authorised Officer of that party, shall be made, served or given (subject in the case of the Bank to clause 11.2) by being left at or sent by prepaid mail or by facsimile as follows:

to the Bank:
Industrial and Commercial Bank of China Limited
No.55 Fuxingmennei Ave, Xicheng District, Beijing, China

Attention: Head of Asia-pacific Institutions Management Division, International Banking Department

to ICBC NZ:
Industrial and Commercial Bank of China (New Zealand) Limited
Level 11, 188 Quay Street, Auckland 1010, New Zealand

Attention: Managing Director

or to such other address or facsimile number as shall have been notified (in accordance with this clause) to the other party hereto. No Notice shall be deemed to have been received by the Bank or ICBC NZ until actually received by the relevant party to whom it is addressed at its designated address.

10. AMENDMENT

10.1 Subject to clause 10.3, any provision of this Deed may be amended or supplemented by agreement in writing between the Bank and ICBC NZ.

10.2 Subject to clause 10.3, the Bank may, from time to time and without any authority or assent of ICBC NZ or the Creditors, alter, modify, or add to this Deed if in the reasonable opinion of the Bank:

(a) the alteration, modification or addition is made to correct a manifest error or is of a formal or technical nature;

(b) the modification, alteration or addition is necessary to comply with the provisions of any statute, whether or not required by any statutory authority; or

(c) the alteration, modification or addition is desirable for the purpose of more advantageously administering the rights and obligations established under this Deed,

and in any case such modification, alteration or addition is considered by the Bank, acting in good faith, not to be materially prejudicial to the Creditors as whole, so far as known to it.

10.3 No further consent from Creditors shall be required to any amendment or supplement to this Deed, provided that notice of such amendment or supplement shall be given by ICBC NZ to the Creditors by an advertisement circulating generally throughout New Zealand.

10.4 The Bank and ICBC NZ shall ensure that a copy of any proposed amendment or supplement to this Deed is provided to each Rating Agency at least 10 Business Days prior to the amendment or variation taking effect.

10.5 The Guarantee is issued in replacement of and in substitution for the Deed of Guarantee by the Bank dated 2 September 2013 and, for the avoidance of doubt, all amounts guaranteed under that guarantee shall be Obligations for the purposes of this Deed.

11. GOVERNING LAW

11.1 This Deed shall be governed by and construed in accordance with the laws for the time being in force in New Zealand. The Bank and ICBC NZ each hereby submit, for the purposes of this Deed, to the non-exclusive jurisdiction of the Courts of New Zealand in respect of all legal actions arising under or in relation to this Deed.

11.2 The Bank hereby irrevocably appoints ICBC NZ (and ICBC NZ hereby accepts such appointment) to be the agent of the Bank to accept service of process on behalf of the Bank in respect of all matters in New Zealand arising under or in relation to this Deed and the Bank agrees that any such process shall be property served upon the Bank if delivered to ICBC NZ at its address for the service of Notices set out in clause 9.2.

12. ASSIGNMENT

12.1 No party to this Deed may assign its rights or obligations hereunder without the consent in writing of the other party and without first having given prior written notice to each Rating Agency.

13. CERTIFICATE

13.1 ICBC NZ shall advise the Bank in writing within fourteen (14) days of a request in writing from the Bank (made no more frequently than quarterly or following receipt by it of any demand for payment from a Creditor) to do so, of its best estimate of the aggregate principal amount of the Obligations for which it is indebted as at such date to either all of the Creditors generally or to those Creditors specified by the Bank in its request.

EXECUTED as a **Deed**

EXECUTED as a **DEED** for and on behalf of **INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**)

Chairman

EXECUTED as a **DEED** for and on behalf of **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED** by its Authorised Signatory / Attorney)

Signature

[Print Name] in the presence of

Witness signature

Full name

Nathan Edwin Hansen-Thorpe
Solicitor
Auckland

Address

Occupation

BF 53113321-2 | Page 2