INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the nine months ended 30 September 2017

Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China (New Zealand) Limited for the nine months ended 30 September 2017 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, "EURO" means the European 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 nine-month period ended 30 September 2017 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.

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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 (ICBC), incorporated in China. 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 2017, 68.11% of total shares in ICBC are owned by the Chinese government. The remaining 31.89% of the shares in ICBC are held by public shareholders. 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 fully guaranteed by ICBC.

A copy of the guarantee of the Bank’s indebtedness given by ICBC is provided in the Bank’s Disclosure Statement for the period ended 31 December 2016. A copy of the Disclosure Statement can be obtained from the Bank’s website www.icbcnz.com.

There has been no change in the terms of the guarantee since the date of signing of the year-end Disclosure Statement.

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 2017, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 2,101,142 million (per first quarterly report financial - unaudited) (NZ$436,197 million), representing 14.67% 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	Stable	Stable	Stable

(c) Rating movement history

There has not been any Standard & Poor's or Fitch 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.
On 24 May 2017, Moody's Investors Service changed the "Outlook" rating to "Stable" from "Negative", 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 Qian Hou (Executive 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
- Mei Tao, Non-Executive Director

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

- Mei Tao, on 13 June 2017, RBNZ issued a non-objection confirmation for the appointment of Ms. Mei Tao as a non-independent/non-executive Director. ICBC NZ Board approved Ms. Tao's appointment on 21 July 2017.
- Xuening Yang, resigned as Non-Executive Director, on 17 July 2017.

Auditor

The name and address of the auditor 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 October 2016.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, 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 property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans 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 non property-investment residential mortgage loans 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 non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

17. 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 registered 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.

In conditions of registration 15 to 17,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", 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 October 2016:

"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 March 2017.

Changes to Conditions of Registration

There have been no changes make to the Conditions of Registration during the nine months to 30 September 2017.

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.

On 26 May 2017, Moody's Investors Service changed the "Outlook" rating to "Stable" from "Negative", 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	Stable

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.

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.

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 nine months ended 30 September 2017:

   (a) the Registered Bank has complied with all conditions of registration that applied during the period;
   (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 27 November 2017 and has been signed by Qian Hou as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Qian Hou
Executive Director

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the nine months ended 30 September 2017

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STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Unaudited 30 September 2017 9 months	Unaudited 30 September 2016 9 months	Audited 31 December 2016 12 months
Interest Income		32,455	18,117	27,557
Interest Expense		(17,847)	(7,789)	(11,149)
Net Interest Income		**14,608**	**10,328**	**16,408**
Net gains/ (losses) on financial instruments at fair value through P&L		1,225	(14,863)	(9,327)
Other Income	2	211	15,397	8,514
Total operating income		16,044	10,862	15,595
Operating expenses		(10,568)	(7,833)	(10,945)
Impairment provisioning on loans and advances to customers	3	(2,169)	(935)	(2,818)
Net profit/(loss) before taxation		3,307	2,094	1,832
Taxation (expense)/ benefit	4	794	-	(680)
Net profit/(loss) after taxation		**4,101**	**2,094**	**1,152**
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		**4,101**	**2,094**	**1,152**

STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the nine months ended 30 September 2017 (unaudited)				
Balance at the beginning of the period		145,460	(4,966)	140,494
Capital injection from shareholders		-	-	-
Net profit/(loss) for the period		-	4,101	4,101
Total equity movement for the period		-	4,101	4,101
Balance at 30 September 2017		145,460	(865)	144,595
For the nine months ended 30 September 2016 (unaudited)				
Balance at the beginning of the period		60,378	(6,118)	54,260
Capital injection from shareholders		85,082	-	85,082
Net profit/(loss) for the period		-	2,094	2,094
Total equity movement for the period		-	2,094	2,094
Balance at 30 September 2016		145,460	(4,024)	141,436
For the year ended 31 December 2016 (audited)				
Balance at the beginning of the year		60,378	(6,118)	54,260
Capital injection from shareholders		85,082	-	85,082
Net profit/(loss) for the year		-	1,152	1,152
Total equity movement for the year		85,082	1,152	86,234
Balance at 31 December 2016		145,460	(4,966)	140,494

STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Assets				
Cash, cash equivalents and balances with central banks		134,195	57,699	156,527
Amounts due from related parties	9	1,206	-	-
Due from banks and other financial institutions		82,960	11,959	2,197
Financial assets designated at fair value through profit or loss		-	-	-
Financial assets held for trading		-	-	-
Financial assets held to maturity		40,342	45,772	40,676
Available-for-sale assets		-	-	-
Derivative Financial Assets		2,125	1,171	369
Loans and advances to customers	5,8	1,144,124	588,539	700,323
Property, plant and equipment		532	931	832
Intangible assets		-	1	-
Current taxation		-	81	-
Deferred tax assets	4	1,553	-	-
Other assets		4,908	2,042	2,620
Total assets		**1,411,945**	**708,195**	**903,544**
Liabilities				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	9	511,607	261,878	467,386
Financial liabilities held for trading		-	-	-
Derivative Financial Liabilities		295	490	245
Deposits from customers	6	386,397	172,078	149,799
Certificates of Deposit	7	59,644	29,805	33,450
Debt securities issued	7	296,104	95,695	103,894
Deferred tax liabilities		-	-	-
Current tax payable		792	-	596
Other liabilities		12,510	6,812	7,679
Total liabilities		1,267,350	566,759	763,050
Shareholder's equity				
Share capital		145,460	145,460	145,460
Reserves		(865)	(4,024)	(4,966)
Total shareholder's equity		144,595	141,436	140,494
Total shareholder's equity and liabilities		**1,411,945**	**708,195**	**903,544**
Total interest earning and discount bearing assets	10	1,392,579	689,594	796,200
Total interest and discount bearing liabilities		1,186,521	461,443	682,867

The accounting policies and other notes (1-18) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 27 November 2017 and are signed on their behalf by:

Qian Hou
Executive Director

STATEMENT OF CASH FLOWS

Thousands of dollars	Unaudited 30 September 2017 9 months	Unaudited 30 September 2016 9 months	Audited 31 December 2016 12 months
Cash flows from operating activities			
Interest income	31,866	17,912	28,433
Other income	(1,221)	(7,680)	(9,211)
Personnel expenses	(6,157)	(4,364)	(6,118)
Other operating expenses	(3,912)	(2,230)	(3,533)
Interest expense	(14,927)	(7,236)	(10,604)
Taxes paid	(562)	-	(3)
Net cash flows from operating activities before changes in operating assets and liabilities	**5,087**	**(3,598)**	**(1,036)**
Changes in operating assets and liabilities arising from cash flow movements:			
(Increase)/decrease in loans and advances to customers	(445,970)	(209,585)	(323,252)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase / (decrease) in deposits from customers	236,598	44,741	22,462
Increase/(decrease) in amounts due to related parties	44,221	(199,098)	6,410
Increase/ (decrease) in amounts due to financial institutions	-	-	-
(Increase) / decrease in other assets	(15)	(12)	3
Increase/(decrease) in other liabilities	48	5	63
(Increase)/decrease in amounts due from related parties	(1,206)	-	-
Increase / (decrease) in certificates of deposit	26,194	14,921	18,566
Net change in operating assets and liabilities	**(140,130)**	**(349,028)**	**(275,748)**
Net cash flows from operating activities	**(135,043)**	**(352,626)**	**(276,784)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(10)	-	(25)
Purchase of financial assets held to maturity	-	(40,886)	(35,918)
Net cash flows from investing activities	(10)	(40,886)	(35,943)
Cash flows from financing activities			
Issue of shares	-	-	-
Capital injection from shareholders	-	85,082	85,082
Proceeds from related parties	-	-	-
Increase in debt securities issued	193,484	25,364	33,645
Net cash flows from financing activities	193,484	110,446	118,727
Increase/(Decrease) in cash and cash equivalents	58,431	(283,066)	(194,000)
Cash and cash equivalents at beginning of year	158,724	352,724	352,724
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Cash and cash equivalents	**217,155**	**69,658**	**158,724**
Cash and cash equivalents at end of year comprised:			
Cash, cash equivalents and balances with central banks*	134,195	57,699	156,527
Due from banks and other institutions classified as cash equivalents	82,960	11,959	2,197
Total cash and cash equivalents	**217,155**	**69,658**	**158,724**

* Nostro account balance held with parent and controlled entities of ultimate parent as at 30 September 2017 is $2,320K (30 September 2016: $2,221K, 31 December 2016: $1,640K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

STATEMENT OF CASH FLOWS (CONTINUED)

Thousands of dollars	Unaudited 30 September 2017 9 months	Unaudited 30 September 2016 9 months	Audited 31 December 2016 12 months
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit/(loss) after taxation	**4,101**	**2,094**	**1,152**
Non cash movements:			
Unrealised fair value adjustments	(112)	(634)	(297)
Depreciation	310	470	594
Amortisation of intangibles	-	3	4
Amortisation of financial instruments	334	56	184
Increase in collective allowance for impairment losses	2,014	930	2,807
Loss on written-off financial assets	158	5	11
Gain on bad debts recovery	(3)	-	-
(Increase)/decrease in deferred expenditure	-	-	-
Unsecured lending losses	-	-	-
Unrealised foreign exchange loss/(gain)	(2,061)	(8,363)	(8,144)
(Increase)/decrease in deferred taxation	(1,553)	-	-
Amortisation of debt securities issued	(807)	(80)	(162)
Increase in operating assets and liabilities	**(1,720)**	**(7,613)**	**(5,003)**
(Increase)/decrease in interest receivable	(1,575)	(98)	(544)
Increase/(decrease) in payable accruals	2,920	553	546
(Increase)/decrease in loans and advances to customers	(445,970)	(209,585)	(323,252)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase/(decrease) in deposits from customers	236,598	44,741	22,462
Increase/(decrease) in certificates of deposit	26,194	14,921	18,566
Increase/(decrease) in amounts due to other financial institutions	-	-	-
Increase/(decrease) in other liabilities	1,911	1,373	2,247
Increase/(decrease) in amounts due to related parties	44,221	(199,098)	6,410
(Increase)/decrease in current taxation	197	-	677
(Increase)/decrease in other assets	(714)	86	(45)
(Increase)/decrease in amounts due from related parties	(1,206)	-	-
Net cash flows from operating activities	**(135,043)**	**(352,626)**	**(276,784)**

Reconciliation of liabilities arising from financing activities

For the nine months ended 30 September 2017 (unaudited)

			Non-cash changes		
	31 December 2016	**Net Cashflow**	**Amortisation**	**Foreign Exchange movement**	**30 September 2017**
Debt securities issued	103,894	193,484	(807)	(467)	296,104
Total liabilities from financing activities	103,894	193,484	(807)	(467)	296,104

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 are for the nine months ended 30 September 2017.

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 27 November 2017. The address of the Bank's registered office is 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

These interim financial statements are for the Bank for the nine months ended 30 September 2017. They have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit oriented entities, and the New Zealand Equivalent to International Accounting Standards 34, Interim Financial Reporting (NZ IAS 34), International Accounting Standard 34 (IAS 34), and the Order, and should be read in conjunction with the Bank's financial statements for the year ended 31 December 2016. These interim financial statements do not include all the disclosures required for full annual financial statements and are condensed financial statements in accordance with NZ IAS 34.

The financial statements have been prepared on a going concern basis in accordance with 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.

For the purpose of the Statement of Cash Flows, due from banks and other financial institutions are treated as cash and cash equivalents as these are short-term highly liquid investments with original maturities of less than three months from the date of acquisition.

(3) Presentation Currency

The reporting currency of these financial statements 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) Changes in accounting policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2016, except as disclosed below.

The following new amendment to standards relevant to the Banking industry has been adopted from 1 January 2017 and has been applied in the preparation of these financial statement:

NZ IAS 7 Disclosure Initiative (Amendments to NZ IAS 1) effective for periods on or after 1 January 2017 has been adopted. Adoption of this standard has not resulted in any impact on the Bank's reported results or financial position.

NZ IAS 12 Income tax effective for periods on or after 1 January 2017 has been adopted. Adoption of this standard has not resulted in any impact on the Bank's reported results or financial position.

(5) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Notes effected are: Deposits from customers have been reclassified based on the deposit types, instead of customer types and locations (Note 6); Concentration of credit risk – December 2016 figures changed due to the reclassification of customer industry (Administration and support services previously included in Finance – Note 10) .

Note 2 - Other Income

Thousands of dollars	Unaudited 30 September 2017 9 months	Unaudited 30 September 2016 9 months	Audited 31 December 2016 12 months
Banking and lending fee income	456	1,857	499
Payment services fee income	579	481	693
Net foreign exchange gains/(losses) and commissions	(1,163)	13,129	7,117
Gain on sale of property, plant and equipment	-	-	-
Other revenue	339	(70)	205
Total other income	211	15,397	8,514

Note 3 - Impairment Allowance

Unaudited 30 September 2017

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 September 2017
Balance at the beginning of the period	-	-	-	-
Charge to statement of comprehensive income in current period	(3)	158	-	155
Bad debts written off	-	(158)	-	(158)
Bad debts recovered	3	-	-	3
Balance as at 30 September 2017	-	-	-	-

Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 September 2017
Balance at the beginning of the period	10	303	3,745	4,058
Charge to statement of comprehensive income in current period	7	405	1,602	2,014
Advances written off	-	-	-	-
Balance as at 30 September 2017	17	708	5,347	6,072
Total charge to statement of comprehensive income	4	563	1,602	2,169

Unaudited 30 September 2016

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 September 2016
Balance at the beginning of the year	-	-	-	-
Amount recovered	-	-	-	-
Charge to statement of comprehensive income in current year	5	-	-	5
Bad debts written off	(5)	-	-	(5)
Bad debts recovered	-	-	-	-
Balance as at 30 September 2016	-	-	-	-

Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 September 2016
Balance at the beginning of the year	4	179	1,068	1,251
Charge to statement of comprehensive income in current year	1	120	809	930
Advances written off	-	-	-	-
Balance as at 30 September 2016	5	299	1,877	2,181
Total charge to statement of comprehensive income	6	120	809	935

Note 3 - Impairment Allowance (continued)

Audited 31 December 2016

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31 December 2016
Balance at the beginning of the period	-	-	-	-
Amount recovered	-	-	-	-
Charge to statement of comprehensive income in current period	11	-	-	11
Bad debts written off	(11)	-	-	(11)
Bad debts recovered	-	-	-	-
Balance as at 31 December 2016	-	-	-	-

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 December 2016
Balance at the beginning of the period	4	179	1,068	1,251
Charge to statement of comprehensive income in current period	6	124	2,677	2,807
Advances written off	-	-	-	-
Balance as at 31 December 2016	10	303	3,745	4,058
Total charge to statement of comprehensive income	17	124	2,677	2,818

Note 4 - Taxation

Tax treatment has changed during the accounting period to recognise the expectation the Bank will continue to grow net operating profits in future years. Tax expense for the nine month period ended 30 September 2017 is $794K. Consistent with NZ IAS 12 the Bank has recognised tax benefits totalling $1,553K (30 September 2016: nil, 31 December 2016: nil). The majority of the tax benefits recognised relate to the allowance for impairment losses, accelerated depreciation, and other provisions. The Bank is expected to recognise all tax benefits by the end of 2017.

Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Residential mortgage loans	348,691	171,079	172,926
Corporate exposures	801,426	419,571	531,368
Credit Cards	79	70	87
Other exposures	-	-	-
Allowance for impairment losses	(6,072)	(2,181)	(4,058)
Total net loans and receivables	1,144,124	588,539	700,323
Current	279,761	210,809	201,769
Non-Current	864,363	377,730	498,554

Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Demand deposits not bearing interest	67,232	98,015	71,663
Demand deposits bearing interest	1,531	-	-
Term deposits	317,634	74,063	78,136
Total deposits	386,397	172,078	149,799
Current	277,821	171,928	107,136
Non-Current	108,576	150	42,663

Note 7 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Certificates of deposit (CDs)	59,644	29,805	33,450
Other debt securities	296,104	95,695	103,894
Total debt securities issued	355,748	125,500	137,344
Current	184,959	29,805	108,800
Non-Current	170,789	95,695	28,544

Note 8 – Asset Quality

Unaudited 30 September 2017	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	44	348,691	801,426	1,150,161
Past due assets not impaired				
Less than 30 days past due	17	-	-	17
At least 30 days but less than 60 days past due	13	-	-	13
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	35	-	-	35
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	158	-	158
Amounts written off	-	(158)	-	(158)
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	79	348,691	801,426	1,150,196
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	158	-	158
Reversals of previously recognised impairment losses	(3)	-	-	(3)
Amounts recovered	3	-	-	3
Amounts written off	-	(158)	-	(158)
Balance at end of the period	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	10	303	3,745	4,058
Charge (credit) to the statement of comprehensive income	7	405	1,602	2,014
Other movements	-	-	-	-
Balance at end of the period	17	708	5,347	6,072
Total provisions for impairment losses	17	708	5,347	6,072
Total net loans and advances	62	347,983	796,079	1,144,124

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 30 September 2017 (30 September 2016: nil, 31 December 2016: 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 $319,342K as at 30 September 2017 (30 September 2016: $200,260K, 31 December 2016: $169,074K).

There has been $21K interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the period ended 30 September 2017 (30 September 2016: nil, 31 December 2016: 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 8 – Asset Quality (continued)

Unaudited 30 September 2016	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	2	171,079	419,571	590,652
Past due assets not impaired				
Less than 30 days past due	36	-	-	36
At least 30 days but less than 60 days past due	3	-	-	3
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	29	-	-	29
Total past due assets not impaired	68	-	-	68
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	5	-	-	5
Amounts written off	(5)	-	-	(5)
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	70	171,079	419,571	590,720
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	5	-	-	5
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	(5)	-	-	(5)
Balance at end of the year	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	4	179	1,068	1,251
Charge (credit) to the statement of comprehensive income	1	120	809	930
Other movements	-	-	-	-
Balance at end of the year	5	299	1,877	2,181
Total provisions for impairment losses	5	299	1,877	2,181
Total net loans and advances	65	170,780	417,694	588,539

Note 8 – Asset Quality (continued)

Audited 31 December 2016	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	60	172,926	531,368	704,354
Past due assets not impaired				
Less than 30 days past due	7	-	-	7
At least 30 days but less than 60 days past due	11	-	-	11
At least 60 days but less than 90 days past due	9	-	-	9
At least 90 days past due	-	-	-	-
Total past due assets not impaired	27	-	-	27
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	11	-	-	11
Amounts written off	(11)	-	-	(11)
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	87	172,926	531,368	704,381
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	11	-	-	11
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	(11)	-	-	(11)
Balance at end of the period	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	4	179	1,068	1,251
Charge (credit) to the statement of comprehensive income	6	124	2,677	2,807
Other movements	-	-	-	-
Balance at end of the period	10	303	3,745	4,058
Total provisions for impairment losses	10	303	3,745	4,058
Total net loans and advances	77	172,623	527,623	700,323

Note 9 – Balances with Related Entity

A. Balance with related parties

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Amounts due from ultimate parent	1,206	-	-
Amount due from controlled entities of ultimate parent	-	-	-
Total amount due from related entities	1,206	-	-
Current	1,206	-	-
Non-Current	-	-	-
Amounts due to ultimate parent	511,607	261,878	467,386
Amount due to controlled entities of ultimate parent	-	-	-
Total amount due to related entities	511,607	261,878	467,386
Current	119,862	82,607	190,201
Non-Current	391,745	179,271	277,185
Off Balance sheet transactions			
Due from parent	34,228	86,645	-
Due from controlled entities of ultimate parent	510	-	-
Due to parent	3,456	-	-
Due from controlled entities of ultimate parent	483	86,553	-

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 September 2017 is $2,320K (30 Septermber 2016: $2,221K, 31 December 2016: $1,640K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

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 counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. There were no such transfers as at 30 September 2017 (30 September 2016: nil; 31 December 2016: NZ$120m).

B. Related party transactions

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Interest income on amount due from related entities			
Ultimate parent	41	16	18
Controlled entities of ultimate parent	-	-	-
Total interest income on amount due from related entities	41	16	18
Interest expense on amount due to related entities			
Ultimate parent	7,860	3,521	5,444
Controlled entities of ultimate parent	-	626	621
Total interest expense on amount due to related entities	7,860	4,147	6,065
Other operating income			
Gain/(Loss) on derivative contracts with ultimate parent	(495)	(62)	(321)
Gain/(Loss) on derivative contracts with controlled entities of ultimate parent	75	-	-

Interest payable to parent as at 30 September 2017 was $1,888K (30 September 2016: $624K, 31 December 2016: $1,062K), and interest payable to subsidiaries of the ultimate parent was nil (30 September 2016: $112K, 31 December 2016: nil). This is included in interest payable balance and interest paid expense.
Interest receivable from parent as at 30 September 2017 was $1K (30 September 2016: nil, 31 December 2016: nil). This is included in interest receivable balance and interest income.
Parent includes ICBC Head Office and other branches.
There are no loans guaranteed by related parties (30 September 2016: $17,231K, 31 December 2016: $17,950K).
ICBC (NZ) paid $20K consulting fee to one of the independent directors.

Note 9 – Transactions with Related Parties (continued)

C. Senior management compensation

Thousands of dollars	Unaudited 30 Septermber 2017	Unaudited 30 September 2016	Audited 31 December 2016
Salaries and other short-term benefits	1,338	1,044	1,417
Other benefits	-	-	-
Total key management compensation	1,338	1,044	1,417

D. 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 2017, 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	Stable	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.

Note 10 – 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 16.

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Government	91,392	74,396	85,630
Finance (including banks)	227,249	84,753	174,846
Households	349,459	171,476	173,367
Transport and storage	72,713	16,151	71,757
Communications	15,092	15,078	15,111
Electricity, gas and water	52,110	49,438	49,235
Construction	129,481	71,710	73,531
Property services	112,421	19,023	25,701
Agriculture	6,107	6,107	6,108
Forestry, fishing and mining	172,007	177,962	181,845
Health and community services	38,840	-	-
Personal and other services	33	-	31
Retail and wholesale trade	60,306	18,246	18,036
Manufacturing	44,362	5,004	-
Administration and support services	43,558	-	31,466
Less: allowance for impairment provisioning	(6,072)	(2,181)	(4,058)
Total financial assets	1,409,058	707,163	902,606
Less: non-interest earning financial assets	(16,479)	(17,569)	(106,406)
Total interest earning and discount bearing financial assets	1,392,579	689,594	796,200

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

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
New Zealand			
North Island	1,200,651	573,502	670,939
South Island	6,074	6,077	6,077
Overseas			
China	183,413	84,170	92,159
USA	8,100	6,020	97,801
Singapore	493	21	127
Hong Kong	2,225	26,056	18,862
Australia	1,427	79	5,404
Europe	6,675	6,884	6,702
Other countries	-	4,354	4,535
Total financial assets	1,409,058	707,163	902,606

Note 10 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Loans and advances to customers	1,144,124	588,539	700,323
Trade and Other Receivables	-	-	-
Other financial assets	655	1,579	2,227
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	1,144,779	590,118	702,550
Cash and cash equivalents	134,195	57,699	156,527
Amounts due from related parties	1,206	-	-
Due from other financial institutions	82,960	11,959	2,197
Financial assets held for trading	-	-	-
Financial assets held to maturity	40,342	45,772	40,676
Available-for-sale assets	-	-	-
Derivative financial instruments	2,125	1,171	369
Loans and advances to customers	-	-	-
Tax Receivable	-	-	-
Other financial assets	3,451	444	287
Total on Balance Sheet Credit Exposures	1,409,058	707,163	902,606
Off Balance Sheet Exposures	348,824	207,509	176,317
Total Off Balance Sheet Credit Exposures	348,824	207,509	176,317

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

65.41% of the Bank's mortgage portfolio is owner-occupied residential properties (30 September 2016: 55.29%, 31 December 2016: 58.87%).

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 (30 September 2016: nil, 31 December 2016: nil).

Note 10 –Concentration of Credit Risk (continued)

(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	Unaudited During the 3 months period ended 30 September 2017 Number of Counterparties		Unaudited During the 3 months period ended 30 September 2016 Number of Counterparties		Audited During the 3 months period ended 31 December 2016 Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other	Bank	Other
10% - 14%	-	6	-	5	1	6
15% - 19%	2	3	-	2	-	2
20% - 24%	-	2	1	1	-	2
25% - 29%	-	4	-	-	-	1
30% - 34%	-	3	-	1	-	1
35% - 39%	-	1	-	-	-	-
40% - 44%	-	4	-	1	-	1
45% - 49%	-	-	-	-	-	-
50% - 54%	-	1	-	-	-	-
55% - 59%	-	1[1]	-	1	-	1
60% - 64%	-	1	-	-	-	-
65% - 69%	-	-	-	1	-	1
70% - 74%	-	-	-	-	-	-
75% - 79%	-	-	-	-	-	-
80% - 84%	-	-	-	-	-	1[2]
85% - 89%	-	-	-	-	-	-
90% - 94%	-	-	-	1[3]	-	-

1 The loan classified within the 55%-59% category is 98.13% collateralised by cash deposits.

2 The loan classified within the 80%-84% category is 98.64% collateralised by cash deposits.

3 The loan classified within the 90%-94% category is 98.82% collateralised by cash deposits.

Note 10 –Concentration of Credit Risk (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.

	Unaudited As at 30 September 2017		Unaudited As at 30 September 2016		Audited As at 31 December 2016	
Credit Exposures as at Reporting Date	Number of Counterparties		Number of Counterparties		Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other	Bank	Other
10% - 14%	-	4	-	5	1	5
15% - 19%	-	4	-	2	-	2
20% - 24%	-	2	-	1	-	3
25% - 29%	-	5	-	-	-	1
30% - 34%	-	2	-	1	-	1
35% - 39%	-	1	-	-	-	-
40% - 44%	-	4	-	1	-	1
45% - 49%	-	-	-	-	-	-
50% - 54%	-	1	-	-	-	-
55% - 59%	-	1[1]	-	1	-	1
60% - 64%	-	1	-	-	-	1[2]
65% - 69%	-	-	-	1	-	1
70% - 74%	-	-	-	-	-	-
75% - 79%	-	-	-	-	-	-
80% - 84%	-	-	-	1[3]	-	-

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 gross and do not include any individually assessed provisions, which are assessed as Nil.

1 One of the loans classified within the 55%-59% category is 98.13% collateralised by cash deposits.

2 The loan classified within the 60%-64% category is 98.23% collateralised by cash deposits.

3 The loan classified within the 80%-84% category is 98.63% collateralised by cash deposits.

Note 11 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
Performance/financial guarantees issued on behalf of customers	29,482	7,249	7,243
Total contingent liabilities	29,482	7,249	7,243
Undrawn Commitments	319,342	200,260	169,074

Note 12 – Subsequent Events after Balance Sheet Date

On 6th November 2017, RBNZ issued a non-objection notice to the issuance of sub-debt up to NZ$70m qualifying as Tier 2 capital.

Note 13 – Dividend

During the nine months ended 30 September 2017 the Bank has not paid any dividends to its shareholder (30 September 2016: nil, 31 December 2016: nil).

Note 14 – Fair Value of Financial Instruments

Unaudited 30 September 2017

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	134,195	134,195
Amounts due from related parties	1,206	1,206
Due from banks and other financial institutions	82,960	82,960
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	40,342	40,603
Available-for-sale assets	-	-
Derivative financial assets	2,125	2,125
Loans and advances to customers	1,144,124	1,144,968
Other financial assets	4,106	4,106
Total financial assets	1,409,058	1,410,163
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	511,607	512,240
Financial liabilities held for trading	-	-
Derivative financial liability	295	295
Deposits from customers	386,397	386,654
Certificates of deposit	59,644	59,644
Debt securities issued	296,104	295,505
Other financial liabilities	12,268	12,268
Total financial liabilities	1,266,316	1,266,607

Note 14 – Fair Value of Financial Instruments (continued)

Unaudited 30 September 2016

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	57,699	57,699
Amounts due from related parties	-	-
Due from banks and other financial institutions	11,959	11,959
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	45,772	45,900
Available-for-sale assets	-	-
Derivative financial assets	1,171	1,171
Loans and advances to customers	588,539	588,960
Other financial assets	2,023	2,023
Total financial assets	707,163	707,712
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	261,878	262,211
Financial liabilities held for trading	-	-
Derivative financial liability	490	490
Deposits from customers	172,078	172,919
Certificates of deposit	29,805	29,805
Debt securities issued	95,695	95,989
Other financial liabilities	6,630	6,630
Total financial liabilities	566,577	569,045

Audited 31 December 2016

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	156,527	156,527
Amounts due from related parties	-	-
Due from banks and other financial institutions	2,197	2,197
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	40,676	39,829
Available-for-sale assets	-	-
Derivative financial assets	369	369
Loans and advances to customers	700,323	700,754
Other financial assets	2,514	2,514
Total financial assets	902,606	902,190
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	467,386	468,165
Financial liabilities held for trading	-	-
Derivative financial liability	245	245
Deposits from customers	149,799	150,254
Certificates of deposit	33,450	33,450
Debt securities issued	103,894	104,953
Other financial liabilities	7,444	7,444
Total financial liabilities	762,219	764,512

Note 14 – Fair Value of Financial Instruments (continued)

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 and debt securities 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 derivative financial instruments is determined by a discounted cash flow basis, which is based on the interest rate repricing and maturity of the instruments.

vi. The fair value of financial assets held to maturity is determined by reference to the average of quoted bid and offer price as at the reporting date.

vii. 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).

Unaudited 30 September 2017

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	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	2,125	(295)	1,830
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	2,125	(295)	1,830

Unaudited 30 September 2016

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	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	1,171	(490)	681
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	1,171	(490)	681

Audited 31 December 2016

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	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	369	(245)	124
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	369	(245)	124

Note 15 – 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.

Unaudited 30 September 2017	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	134,199	-	-	-	-	134,199
Amounts due from related parties	-	1,214	-	-	-	1,214
Due from banks and other financial institutions	-	82,970	-	-	-	82,970
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	773	844	42,595	-	44,212
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	61	71,018	253,238	669,030	508,727	1,502,074
Other financial assets	-	276	-	162	-	438
Total financial assets	134,260	156,251	254,082	711,787	508,727	1,765,107
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	111,589	9,956	6,366	416,113	-	544,024
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	69,266	101,511	110,524	111,908	-	393,209
Certificates of deposit	-	60,000	-	-	-	60,000
Debt securities issued	-	128,617	4,284	179,800	-	312,701
Other financial liabilities	53	112	2,969	549	-	3,683
Total financial liabilities	180,909	300,196	124,143	708,370	-	1,313,618
Net non-derivative cash flows	(46,649)	(143,945)	129,939	3,417	508,727	451,489
Derivative cash flows						
Inflows from derivatives	-	187,704	1,060	157	-	188,921
Outflows from derivatives	-	(185,865)	(1,105)	(307)	-	(187,277)
Total	-	1,839	(45)	(150)	-	1,644
Off balance sheet cash flows						
Financial guarantees inflows	-	18	38	4	-	60
Financial guarantees outflows	(22,128)	(4,185)	-	(3,169)	-	(29,482)
Commitments outflows	(313,198)	(827)	(1,373)	(3,944)	-	(319,342)
Total	(335,326)	(4,994)	(1,335)	(7,109)	-	(348,764)
Net cash flows	(381,975)	(147,100)	128,559	(3,842)	508,727	104,369

Note 15 – Liquidity Risk (continued)

Unaudited 30 September 2016	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	57,701	-	-	-	-	57,701
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	11,972	-	-	-	11,972
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	5,580	1,084	44,025	-	50,689
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	68	84,377	146,735	273,486	251,034	755,700
Other financial assets	-	45	-	151	-	196
Total financial assets	57,769	101,974	147,819	317,662	251,034	876,258
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	75,789	4,122	2,911	196,195	-	279,017
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	17,702	64,646	90,312	159	-	172,819
Certificates of deposit	-	30,000	-	-	-	30,000
Debt securities issued	-	1,468	2,074	97,234	-	100,776
Other financial liabilities	68	-	3,309	617	-	3,994
Total financial liabilities	93,560	100,236	98,606	294,205	-	586,607
Net non-derivative cash flows	(35,791)	1,738	49,213	23,457	251,034	289,651
Derivative cash flows						
Inflows from derivatives	-	114,574	1,123	883	-	116,580
Outflows from derivatives	-	(114,197)	(1,214)	(684)	-	(116,095)
Total	-	377	(91)	199	-	485
Off balance sheet cash flows						
Financial guarantees inflows	-	-	85	27	-	112
Financial guarantees outflows	-	-	(36)	(7,213)	-	(7,249)
Commitments outflows	(190,265)	(1,045)	(2,805)	(6,145)	-	(200,260)
Total	(190,265)	(1,045)	(2,756)	(13,331)	-	(207,397)
Net cash flows	(226,056)	1,070	46,366	10,325	251,034	82,739

Note 15 – Liquidity Risk (continued)

Audited 31 December 2016	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	156,527	-	-	-	-	156,527
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	2,208	-	-	-	2,208
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	265	1,355	43,447	1,500	46,567
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	33	67,389	160,908	411,546	247,387	887,263
Other financial assets	-	90	-	157	-	247
Total financial assets	156,560	69,952	162,263	455,150	248,887	1,092,812
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	156,552	17,172	21,892	296,880	-	492,496
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	17,471	24,864	65,544	43,844	-	151,723
Certificates of deposit	-	33,600	-	-	-	33,600
Debt securities issued	-	360	78,448	29,907	-	108,715
Other financial liabilities	11	202	1,933	607	-	2,753
Total financial liabilities	174,035	76,198	167,817	371,238	-	789,288
Net non-derivative cash flows	(17,475)	(6,246)	(5,554)	83,912	248,887	303,524
Derivative cash flows						
Inflows from derivatives	-	245	1,482	236	-	1,963
Outflows from derivatives	-	(456)	(1,014)	(417)	-	(1,887)
Total	-	(211)	468	(181)	-	76
Off balance sheet cash flows						
Financial guarantees inflows	-	50	22	22	-	94
Financial guarantees outflows	-	-	(4,615)	(2,950)	-	(7,565)
Commitments outflows	(160,124)	(930)	(2,703)	(5,317)	-	(169,074)
Total	(160,124)	(880)	(7,296)	(8,245)	-	(176,545)
Net cash flows	(177,599)	(7,337)	(12,382)	75,486	248,887	127,055

Note 16 – Capital Adequacy

(a) Issued Capital
The Bank had 145,459,975 fully paid up ordinary shares (tier one capital) issued at NZ $1 per share as at 30 September 2017.

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:

Note 16 – 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 30 September 2017, 30 September 2016, and 31 December 2016. 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	**30 September 2017**	**30 September 2016**	**31 December 2016**
Tier one capital			
Common Equity Tier one capital			
Issued and fully paid up share capital	145,460	145,460	145,460
Retained earnings	(865)	(4,024)	(4,966)
Accumulated other comprehensive income and other disclosed reserves	-	-	-
Interest from issue of ordinary shares	-	-	-
Less:	-	-	-
Goodwill and other intangible assets	-	(1)	-
Regulatory adjustments	-	-	-
Deferred tax assets	(1,553)	-	-
Total common equity tier one capital	143,042	141,435	140,494
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	143,042	141,435	140,494
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	143,042	141,435	140,494

The Bank currently has no capital instruments subject to phase-out eligibility as capital in terms of RBNZ's Basel III transitional arrangement.

Note 16 – Capital Adequacy (continued)

(d) Credit Risk

30 September 2017 **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	56,100	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	34,668	20%	6,934	555
Banks rating grade 1	169,091	20%	33,818	2,706
Banks rating grade 2 (≤3 months)	2,910	20%	582	47
Banks rating grade 2 (>3 months)	2,953	50%	1,477	118
Banks rating grade 3 (≤3 months)	6,774	20%	1,355	109
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	6,010	50%	3,005	240
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	13,588	20%	2,718	217
Banks unrated (>3 months)	8,611	50%	4,305	344
Corporate-without recognised mitigation	673,568	100%	673,568	53,885
Corporate-secured by collateral	80,509	20%	16,102	1,288
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	226,648	35%	79,327	6,346
Residential mortgages (investment) not past due -LVR up to 80%.	120,341	40%	48,136	3,851
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	994	50%	497	40
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	-	-	-	-
Other past due assets	-	100%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	9,180	100%	9,180	734
Total on balance sheet exposures after credit risk mitigation	1,411,945	-	881,004	70,480

Note 16 – Capital Adequacy (continued)

30 September 2017 **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	7,354	50%	3,677	100%	3,677	294
Trade-related contingency	22,128	20%	4,425	100%	4,425	354
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	317,168	50%	158,584	100%	158,584	12,687
Other commitments where original maturity is less than or equal to one year	2,174	20%	435	100%	435	35
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	188,079	1%	1,881	100%	1,881	150
(b) Interest rate contracts (exposure less than 1 year)	27,000	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	3,200	0.5%	16	100%	16	1
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	567,103	-	169,018	-	169,018	13,521

Note 16 – Capital Adequacy (continued)

30 September 2016 **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	38,943	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	35,122	20%	7,024	562
Banks rating grade 1	18,501	20%	3,700	296
Banks rating grade 2 (≤3 months)	16,373	20%	3,275	262
Banks rating grade 2 (>3 months)	16,738	50%	8,369	670
Banks rating grade 3 (≤3 months)	-	-	-	-
Banks rating grade 3 (>3 months)	-	-	-	-
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	8,492	20%	1,699	136
Banks unrated (>3 months)	18,256	50%	9,128	730
Corporate-without recognised mitigation	268,182	100%	268,182	21,455
Corporate-secured by collateral	112,516	20%	22,503	1,800
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	94,429	35%	33,050	2,644
Residential mortgages (investment) not past due -LVR up to 80%.	76,351	40%	30,540	2,443
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	-	-	-	-
Other past due assets	-	100%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	4,292	100%	4,292	343
Total on balance sheet exposures after credit risk mitigation	708,195	-	391,762	31,341

Note 16 – Capital Adequacy (continued)

30 September 2016 **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	7,249	50%	3,624	100%	3,624	290
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	197,186	50%	98,593	100%	98,593	7,888
Other commitments where original maturity is less than or equal to one year	3,074	20%	615	100%	615	49
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	113,866	1%	1,139	100%	1,139	91
(b) Interest rate contracts (exposure less than 1 year)	49,463	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	30,200	0.50%	151	100%	151	12
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	401,038	-	104,122	-	104,122	8,330

Note 16 – Capital Adequacy (continued)

31 December 2016 **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	50,348	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	35,010	20%	7,002	560
Banks rating grade 1	112,384	20%	22,477	1,798
Banks rating grade 2 (≤3 months)	2,549	20%	510	41
Banks rating grade 2 (>3 months)	11,844	50%	5,922	474
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	2,080	100%	2,080	166
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	7,685	20%	1,537	123
Banks unrated (>3 months)	24,702	50%	12,351	988
Corporate-without recognised mitigation	394,144	100%	394,144	31,532
Corporate-secured by collateral	86,277	20%	17,255	1,380
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	101,619	35%	35,567	2,845
Residential mortgages (investment) not past due -LVR up to 80%.	71,004	40%	28,401	2,272
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	-	-	-	-
Other past due assets	-	100%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	3,898	100%	3,898	312
Total on balance sheet exposures after credit risk mitigation	903,544	-	531,144	42,491

Note 16 – Capital Adequacy (continued)

31 December 2016 **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	7,243	50%	3,621	100%	3,621	290
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	164,296	50%	82,148	100%	82,148	6,572
Other commitments where original maturity is less than or equal to one year	4,778	20%	956	100%	956	76
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	-	1%	-	100%	-	-
(b) Interest rate contracts (exposure less than 1 year)	75,900	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	5,200	0.50%	26	100%	26	2
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	257,417	-	86,751	-	86,751	6,940

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 16 – Capital Adequacy (continued)

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

30 September 2017

Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	346,989	994	-	347,983

30 September 2016

Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	170,780	-	-	170,780

31 December 2016

Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	172,623	-	-	172,623

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	**30 September 2017**	**30 September 2016**	**31 December 2016**
Residential mortgage loans (as disclosed in Note 5)	348,691	171,079	172,926
Reconciling Items:			
Provisions for impairment losses on loans and advances	(708)	(299)	(303)
Residential mortgages by loan-to-valuation ratio	347,983	170,780	172,623

(g) Credit risk mitigation

30 September 2017 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	80,509	-
Residential mortgage	-	-
Other	-	-
Total	80,509	-

Note 16 – Capital Adequacy (continued)

30 September 2016 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	112,516	-
Residential mortgage	-	-
Other	-	-
Total	112,516	-

31 December 2016 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	86,277	-
Residential mortgage	-	-
Other	-	-
Total	86,277	-

(h) Operational risk capital requirement

30 September 2017

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	154,088	12,327

30 September 2016

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	74,413	5,953

31 December 2016

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	87,888	7,031

Note 16 – Capital Adequacy (continued)

(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.

30 September 2017	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	78,788	6,303	78,788	6,303
Foreign currency risk	1,150	92	12,600	1,008
Equity risk	-	-	-	-
Total capital requirements	79,938	6,395	91,388	7,311

30 September 2017			
Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,979,048	1,050,022	84,001
Operational risk	-	154,088	12,327
Market risk	-	79,938	6,395
Total	1,979,048	1,284,048	102,723

30 September 2016	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	49,550	3,964	57,975	4,638
Foreign currency risk	225	18	18,238	1,459
Equity risk	-	-	-	-
Total capital requirements	49,775	3,982	76,213	6,097

30 September 2016			
Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,109,233	495,884	39,671
Operational risk	-	74,413	5,953
Market risk	-	49,775	3,982
Total	1,109,233	620,072	49,606

Note 16 – Capital Adequacy (continued)

31 December 2016	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	25,588	2,047	57,975	4,638
Foreign currency risk	988	79	17,575	1,406
Equity risk	-	-	-	-
Total capital requirements	26,576	2,126	75,550	6,044

31 December 2016 Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,160,961	617,895	49,431
Operational risk	-	87,888	7,031
Market risk	-	26,576	2,126
Total	1,160,961	732,359	58,588

Capital ratios

Regulatory Capital Ratios	**Regulatory Minimum**	**30 September 2017**	**30 September 2016**	**31 December 2016**
Common Equity Tier 1 Capital Ratio	4.50%	11.14%	22.81%	19.18%
Tier 1 Capital Ratio	6.00%	11.14%	22.81%	19.18%
Total Qualifying Capital Ratio	8.00%	11.14%	22.81%	19.18%
RBNZ required Buffer Ratio	2.50%	3.14%	14.81%	11.18%

(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% (30 September 2016: 2%, 31 December 2016: 2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment.

Note 16 – Capital Adequacy (continued)

(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 2017, 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.

	30 September 2017	30 September 2016	31 December 2016
Ultimate Parent Bank Group			
Common Equity Tier 1 Capital Ratio	12.88%	12.58%	12.87%
Tier 1 Capital Ratio	13.40%	13.13%	13.42%
Total Capital Ratio	14.67%	14.18%	14.61%
Ultimate Parent Bank			
Common Equity Tier 1 Capital Ratio	12.92%	12.57%	12.90%
Tier 1 Capital Ratio	13.49%	13.16%	13.49%
Total Qualifying Capital Ratio	14.78%	14.24%	14.67%

Note 17 – Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the Bank has become exposed since 31 December 2016.

Note 18 - 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.