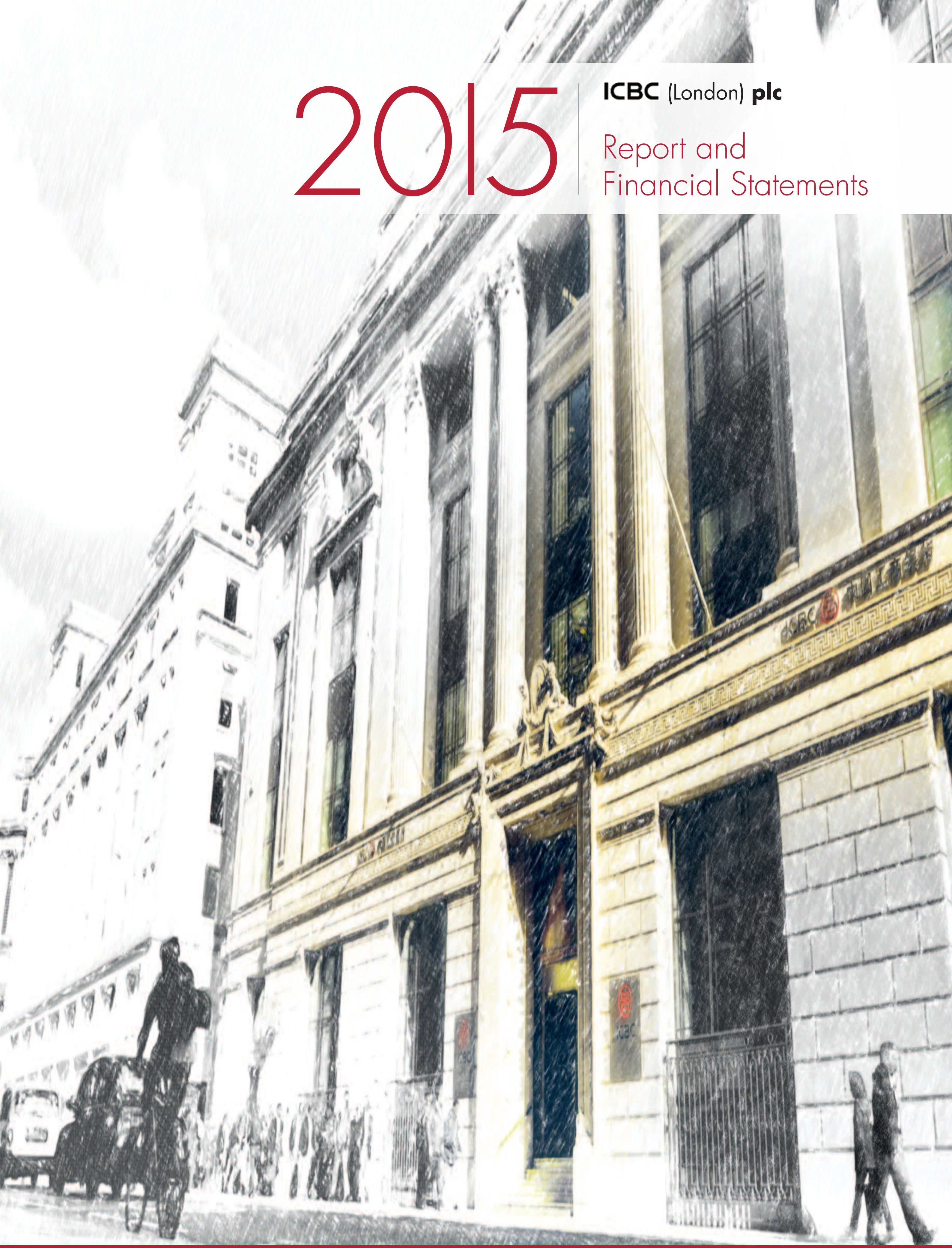
2015

ICBC (London) **plc**

Report and Financial Statements



ICBC 工银伦敦

CONTENTS

ICBC (LONDON) PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CHAIRMAN'S STATEMENT

These financial results for ICBC (London) plc show our performance for the first full year when the company has operated side by side with the new UK branch of our parent bank, Industrial and Commercial Bank of China Limited. The last year has seen significant uncertainties in world markets, which are expected to continue in 2016, caused by a number of factors including regional conflicts. Notwithstanding these external issues, I am delighted to report that 2015 was another very successful year for the Bank and our profit before tax was $44.76 million compared with $30.53 million in 2014.

In 2015 we saw a modest increase in our total operating income to $70.46 million (2014: $69.16 million). However, having provided $14.71 million for bad and doubtful debts in 2014, I am pleased to announce that the majority of our credit exposures remain of good quality and in 2015 we have been able to reduce our existing collective provisioning level by $0.921 million. Our resultant profit for the year after tax and provisions was $34.93million (2014: $23.92 million). Given the current turmoil, particularly in commodity markets, we will continue to monitor carefully the risks to our portfolio in keeping with our prudent approach.

Whilst ICBC (London) plc follows a strategy independently from the Parent Bank's branch, both the Branch and the Subsidiary share certain resources including staff. During the year our total operating expenses (excluding provisions) increased by 11.30% to $26.62 million (2014: $23.92 million). Most of this increase was due to the take on of additional staff to cope with our increased levels of business. At the end of 2015 our staff numbers had increased to 112 (from 100 at the end of 2014) – a rise of 12%. I would like to welcome each new member of staff to the Bank and thank the management team and all staff for their important contribution to the Bank's successful year.

During 2015 there were a number of changes to both the Bank's senior management team and to the Board. Two independent non-executive directors, Mr Graham Penny and Mr Edwin Lacy, both of whom have been with the Bank since its inception in 2003 retired last year and I would like to acknowledge the significant contribution that they made during our formative years. They have been replaced by two new independent non-executive directors, Mr David Newton and Mr Peter Goshawk. David and Peter bring a wealth of experience to their respective roles as Chairmen of the Bank's Audit Committee and Risk Committee and I would like to extend a warm welcome to them. We have also been joined on the Board by John Kerr as a non-executive director who will chair a new Governance and Compliance committee. John has served the Bank for many years in a number of senior roles and I am pleased to welcome him as a director. I would also like to take this opportunity to thank all of my fellow directors for their continued support.

Shu Gu

Gu Shu
Chairman


ICBC

STRATEGIC REPORT

Introduction

The global economic uncertainties continued to impact the UK economy in 2015 and are expected to continue in 2016. The British economy grew by 2.2% in 2015; this was a fall from the previous year. However, the UK remained one of the fastest growing economies amongst developed nations. This growth was reflected in the fall in unemployment to 5.1%, the lowest since 2005. Whilst encouraging, the extremely low interest and inflation rate environment showed an economy that remains fragile. The Bank of England expects growth, inflation and interest rates to remain broadly at existing levels into 2016 and early 2017.

Meanwhile, China's economy grew by 6.9% in 2015, close to the government's target rate of around 7%. Whilst this marks its slowest growth in a quarter of a century, the slowdown is one that many observers have come to expect as the government transitions the economy from one of state-led investment and manufacturing to one more reliant on services and consumption. China's growth is seen by many as one of the key drivers of the global economy. The Chinese Government projected a GDP growth rate within a range of 6.5%-7% for 2016.

Despite these very challenging macro-economic conditions, ICBC (London) plc had another strong year. Overall the Bank made a profit before tax of $44.76 million (2014: $30.53 million) and with total assets at $3.2 billion (2014: $3.83billion).

2015 saw the first full year of the Subsidiary working alongside the recently formed ICBC London Branch, established in late 2014. The two entities, whilst having separate governance arrangements, work very closely together with staff being 'dual-hatted' across both. With the exception of retail products, which are only offered by the Subsidiary, both entities have broadly the same product offerings to clients.

Summary of Business

The Bank made a profit before tax of $44.76 million in 2015 (2014: $30.53 million). The return on equity stood at 10.28% in 2015, which increased by 2.56% compared to that of year 2014. The return on assets was 0.97%, which also improved by 0.35% compared to that of year 2014. The majority of credit exposures were of a good quality. The exposures in the 'watch list' category decreased during the year due to scheduled loan repayments.

Interest income decreased by 7.35% to $82.92 million compared to last year (2014: $89.49 million). Similarly, interest expenses also decreased by 6.55 % to $ 36.88 million (2014: $39.47 million) due to decrease in deposits and borrowings.

The non interest income increased by 225.85 % to $12.86 million in 2015 compared to previous year (2014: $3.95 million) mainly due to increase in fee income from the service level agreement between the Bank and other ICBC entities.

Total assets as at 31 December 2015 were $3.2 billion, a reduction of 16% with the previous year (2014: $3.8 billion). This has mainly been driven by a fall in syndicated and bilateral loans.

The total liabilities fell in 2015 by 18.48% to $2.86 billion due to falls in client and corporate deposits. The Bank successfully improved its long-term funding position with a $1 billion club loan in mid-2015. Meanwhile, the Branch successfully listed a $10 billion MTN programme on the London Stock Exchange in December 2015, raising $300million on a 3-year bond issuance.

All capital ratios at the end of the year were well above regulatory requirements with surplus capital being held against Pillar 2 requirements. The year saw on-going implementation of the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR) covering a range of prudential and governance matters, including minimum capital levels and countercyclical buffers through to governance requirements and remuneration rules. The Bank has implemented Common Reporting (COREP) to the regulators with the consequent increases in granularity and numbers of reported data items compared with the previous FSA regime. In addition, new liquidity rules for Liquidity Coverage Ratio (LCR) have also been implemented in 2015.

During the year the Bank prepared itself for the new Senior Managers and Certification Regime, which included enhancing the clarity around individual accountability of senior managers and providing training to all staff around the new conduct rules.

Corporate banking activities increased with an expanding client base. The ICBC London Branch licence has allowed ICBC as a group to provide increased commitments to key clients, as a result of which some relationships have migrated from ICBC (London) plc to ICBC London Branch. Nevertheless, certain business activities will continue to be booked in the Bank.

The increasing investment activities of Chinese corporations and institutions in the UK market are providing strong growth opportunities for ICBC's London operations, alongside the important local relationships with major national and multinational companies.

Commercial real estate lending operations have been established, which is supporting other lending and treasury product areas.

Expenses

Total operating expenses excluding impairment for 2015 were $26.62 million (2014: $23.92 million). Our staff costs increased by 12.69% to $16.79 million in 2015, reflecting staff increases for new business growth in the Bank and London Branch and our enhanced risk focus. All staffs are employed by the Bank and also work for the London Branch under the Service Level Agreement between the two entities.

Principal risks

The Bank has in place a risk management framework where the Board of Directors, the Senior Management and other employees of the Bank perform their respective duties and responsibilities in supervising and managing various risks at different levels.

The Bank's organisational structure of risk management corresponds to this risk management framework. At the Board level, there is a Risk Committee and an Audit Committee. In addition, the Board established a Governance & Compliance Committee to look at ways to further strengthen the Bank's governance and succession planning. At the Executive Management level, there is an Executive Committee, an Asset & Liability Management Committee (ALCO) and a Credit Committee, performing risk management and oversight responsibilities. In addition, the Bank established a Financial Crime Risk Committee in 2015 to enhance Senior Management oversight and controls around financial crime.

The principles of risk management include a fine balance of risks and returns, and internal checks and balances with regards to efficiency, risk diversification, and combination of quantitative and qualitative analysis. There are policies in place to guide the Bank's risk management in various business areas.

In addition to the macro-economic challenges referred to above, the major financial risks faced by the Bank include credit risk, liquidity risk, market risk, regulatory risk and operational risk. Further information on these risks is included in Notes 28-33 to the financial statements.

In particular, the risks faced by ICBC (London) plc include:

- Concentration risk across several dimensions including the Chinese and UK economies – reflecting the Bank's business mandate – and sector concentration in banks and non-bank financial institutions, largely driven by intra-group exposures to other ICBC entities, mitigated by the longstanding Netting Agreement between the Bank and acceding parties.
- Global commodity markets have weakened considerably since 2013, with negative consequences for commodity-oriented emerging-market economies. The Bank has therefore introduced more stringent controls to manage and de-risk its diversified Commodity & Structured Finance portfolio, including minimal direct exposure to troubled regions or countries.
- Geopolitical risk is rising again, including but not limited to the growing threat of terrorist attacks both inside and beyond the Middle East, and the unstable situation in countries such as Ukraine. As well as minimising its direct exposure, the Bank has in place a Disaster Recovery and Business Contingency Plan and other measures to safeguard our staff, customers and business.
- Liquidity and funding risk remains a key focus of the Bank. We have a very limited Retail deposit base compared to our local competitors. However, we have begun to establish long-term funding measures and can collaborate with ICBC London Branch to strengthen our funding capacity. Also, appropriate risk

measurement, monitoring and reporting systems and internal limits are in place, liquidity stress testing is undertaken against a range of scenarios, and there is a Contingency Funding Plan.

Business risk arises from banks' general over-liquidity and willingness to lend, resulting in downward pressure on pricing since 2014, with companies taking advantage of positive market conditions and the ultra-low interest rate environment by either refinancing or amending-and-extending their credit lines. These pricing trends are expected to continue in 2016. The combined effect is that the Bank's margins are being squeezed and therefore we carefully consider the risk-adjusted return on our assets.

Departmental policy and procedure manuals are written in accordance with the Bank's approach to the management of these risks. Employees are required to operate within the guidelines set out in bank-wide policies and their own departmental procedures The Risk and Asset Liability Management (ALM), Compliance and Legal and Internal Audit departments periodically carry out reviews to assess compliance.

Future Developments

The Bank will work alongside the London Branch in increasing the scale and breadth of its lending capability. This will include looking at new sectors such as UK infrastructure projects. Non-lending activities under-development includes the introduction of local merchants and brands to the ICBC Group e-commerce website in China to support UK exports.

The approach to developing our markets, products and services since the Bank's establishment in 2003 has been cautious and gradual. We have ensured that we have built up the appropriate competencies and controls before embarking on new ventures. Our future development will continue in a similar manner.

With the Branch's successful LSE listing of a $300 million bond as part of a $10 billion MTN programme, we will look to further strengthen our funding base by leveraging of the Branch's capabilities. The treasury trading business will be further developed to offer Renminbi products and play an important role in Renminbi business within Europe. We have established full capacity in providing Renminbi deposits, trade settlement and financing, loans, foreign exchange trading services, and interest rate derivatives. We expect this will further enhance our banking service capability and reputation in the UK and beyond.

Our main focus will remain on wholesale banking. The Bank enjoys strong channels into China through our Parent Bank to bring a high degree of customer service to large corporate customers banking in both China and the UK.

The retail business saw the launch of mobile banking to complement the internet banking business as we continue to enhance the services we offer our retail customers.

Governance

The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and it is structured in accordance with the principles of good corporate governance consistent with the status of our Parent Bank. The Bank employs two independent UK based non-executive directors, one of whom is the Chair of the Bank's Audit Committee and one of whom is the Chair of our Risk Committee, and two China based non-executive directors from our Parent Bank. During the year the Bank appointed two new UK based Independent Directors to replace the existing two who had both served for over 10 years. In addition, the Bank appointed its former UK based Deputy General Manager and Head of Compliance as Chair of the newly formed Governance & Compliance Committee. At an executive level, the Bank operates management level committees to ensure that "four eyes" are involved in all major policies and operating decisions; establishing clear policies and decision making procedures; and ensuring effective implementation of operating procedure through regular internal audit reviews. We have further strengthened our conduct risk framework and reporting procedures during the year and fully subscribe to the principle of 'treating customers fairly' to ensure that the trust put in us as bankers is well-founded.

STRATEGIC REPORT continued

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.'

Change in Auditors

The Bank appointed KPMG LLP as its external auditor for the financial year 2015. Prior to this, Mazars LLP was the external auditor of the Bank for financial years 2012 to 2014.

Employees

The number of staff was 112 at the end of 2015, with 100 at the start of the year.

We aim to maintain a highly skilled work force to meet the challenges and opportunities of a fast growing financial services company. To achieve this we:

- Provide opportunities for our staff to develop their skills and capabilities so that they can progress in our organisation;
- Supplement the skills of existing staff by recruiting suitably qualified new staff as appropriate;
- Value diversity and promote a sensible work/life balance;
- Remuneration process designed to reward performance and growth that incorporates sound risk management;
- Seek to retain staff through ensuring that salaries are competitively bench-marked to the market and career progression encouraged.

The strategic report was approved by the Board on 11 April 2016 and is signed on its behalf by:

Jin Chen
Chief Executive Officer

BOARD OF DIRECTORS AND OTHER INFORMATION

Directors
Gu Shu (Chairman)
Jin Chen (Chief Executive Officer)
Shuyi Yuan (Deputy Chief Executive Officer)
Graham Penny (Non-Executive Director- terminated 22 October 2015)
Edwin Lacy (Non-Executive Director –terminated 22 October 2015)
Lan Li (Non-Executive Director)
David Newton (Non-Executive Director – Appointed 23 April 2015)
Peter Goshawk (Non-Executive Director – Appointed 23 April 2015)
John Kerr (Non-Executive Director – Appointed 15 September 2015)

Company Secretary
John Kerr

Auditors
KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Registered Office
81 King William Street
London
EC4N 7BG

Management Team
Jin Chen (Chief Executive Officer)
Shuyi Yuan (Deputy Chief Executive Officer)
Yanming Sun (Deputy General Manager)
Lingyan Kong (Deputy General Manager)
Xiao Lu (Deputy General Manager)
Robert Clark (Deputy General Manager)
Ying Shi (Deputy General Manager)

DIRECTORS' REPORT

The directors present their report and the financial statements of the Bank for the year ended 31 December 2015.

Financial statements

The financial statements are prepared in US Dollars as this is the underlying currency in which the Bank conducts its principal activities.

Matters included within the Strategic Report

Details of business review, future developments indication of financial risk management objectives and policies and the Bank's exposure to market risk, credit risk and liquidity risk have been included in the Strategic Report.

Results and dividends

The trading results for the year, and the Bank's financial position at the end of the year, are shown in the attached financial statements.

No dividend has been paid and the directors do not recommend the payment of a dividend for the year.

The profit of the Bank for the year, after taxation, amounted to US$34.93 million (2014: US$23.92 million). The credit balance on the Profit and Loss Account is to be carried forward.

Principal activities

The principal activities of the Bank are international banking and related services within the scope of permissions granted to the Bank under the Financial Services and Markets Act 2000.

Events since the balance sheet date

There have been no significant events since the balance sheet date.

Directors and their interests

The directors who held office during the year were as follows:

Gu Shu (Chairman)
Jin Chen (Chief Executive Officer)
Shuyi Yuan (Deputy Chief Executive Officer)
Graham Penny (Non-Executive Director- terminated 22 October 2015)
Edwin Lacy (Non-Executive Director –terminated 22 October 2015)
Lan Li (Non-Executive Director)
David Newton (Non-Executive Director – Appointed 23 April 2015)
Peter Goshawk (Non-Executive Director – Appointed 23 April 2015)
John Kerr (Non-Executive Director – Appointed 15 September 2015)

No contracts of significance in relation to the Bank's business in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, within the meaning of Section 413 of the Companies Act 2006.

Donations

During the financial year the Bank made no political or charitable donations (charitable donations in 2014: Nil.)

Going Concern

The Bank's directors have made an assessment of the Bank's ability to continue as a going concern.

In assessing going concern, the Directors take account of all information which they are aware of about the future, which is at least, but not limited to, 12 months from the date that the balance sheet is signed. This information includes the Bank's forecast results and projections, estimated capital, funding and liquidity requirements, contingent liabilities, and possible economic, market and product developments. They are satisfied that the Bank has the resources to continue in business for the foreseeable future. Further, the directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG as the external auditor is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

John Kerr
Company Secretary
11 April 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless the Directors are satisfied that the financial statements give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ICBC (LONDON) PLC

KPMG

KPMG LLP

15 Canada Square, London

E14 5GL, United Kingdom

We have audited the financial statements of ICBC (London) plc for the year ended 31st December 2015. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports and.
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit or

Paul Furneaux (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square,
London
E14 5GL
12 April 2016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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 *$ '000*	2014 *$ '000*
Interest receivable from financial investments	2	6,490	6,127
Other interest receivable	2	76,429	83,367
Interest payable	2	(36,884)	(39,468)
Net interest income		**46,035**	**50,026**
Fees and commissions receivable	2	13,574	16,016
Fees and commissions payable	2	(2,011)	(834)
Net fees and commission		**11,563**	**15,182**
Revaluation gain/ (loss) on financial derivatives	11	(4,512)	7,774
Foreign exchange gain/(loss) & realized gain/(loss) on financial derivatives		3,030	(8,612)
Other operating income	3	14,340	4,777
Gain on sale of bonds		-	7
Other Income		**12,858**	**3,946**
Total operating income		**70,456**	**69,154**
Personnel expenses	4	(16,789)	(14,898)
Depreciation and amortisation	13	(1,912)	(1,980)
Provisions for bad and doubtful debts	10	921	(14,710)
Other operating expenses	6	(7,921)	(7,040)
Operating expenses		**(25,701)**	**(38,628)**
Profit on ordinary activities before tax		**44,755**	**30,526**
Tax on profit on ordinary activities	7	(9,824)	(6,610)
Profit for the financial year		**34,931**	**23,916**

All activities of the Bank are considered to relate to continuing operations.

The notes 1 to 37 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	$ '000	*$ '000*
Profit for the financial year	**34,931**	**23,916**
Other Comprehensive Income :		
Amounts that will be reclassified to the income statement		
Change in fair value of available for sale financial investments	480	2,279
Available for sale reserve recycled through profit or loss upon disposal of the instruments	-	(61)
Income tax (expenses) relating to components of other comprehensive income	(587)	(568)
Other comprehensive (loss)/gain for the year, net of income tax	**(107)**	**1,650**
Total comprehensive income for the year	**34,824**	**25,566**

The notes 1 to 37 form part of these financial statements.

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 $ '000	2014 $ '000
Assets			
Cash and balances at central banks		197	243
Loans and advances to banks	8	1,289,728	967,756
Loans and advances to customers	9	1,347,144	2,151,215
Derivative financial instruments	11	33,699	40,673
Available for sale financial investments	12	489,848	610,135
Tangible fixed assets	13	41,314	42,850
Prepayments, accrued income and other assets	14	10,695	12,366
Total Assets		**3,212,625**	**3,825,238**
Liabilities			
Deposits by banks	16	2,048,191	2,487,979
Customer accounts	17	661,083	860,894
Derivative financial instruments	11	32,245	34,706
Other liabilities		4,191	4,265
Provision for Liabilities	22	241	440
Accruals & deferred income	18	3,933	12,212
Subordinated loan	21	100,000	100,000
Corporation tax		4,421	2,135
Deferred tax liabilities	15	1,045	156
Total Liabilities		**2,855,350**	**3,502,787**
Share Capital and Reserves			
Authorised and called up share capital	19	200,000	200,000
Retained earnings	20	156,551	121,620
Available for sale reserve	20	724	831
Total Share Capital and Reserves		**357,275**	**322,451**
Total Liabilities and Share Capital and Reserves		**3,212,625**	**3,825,238**
Memorandum Items			
Contingent liabilities and commitments	23	830,559	974,580

These financial statements were approved by the directors on 11 April 2016 and are signed on their behalf by:

陈进

Jin Chen

Shuyi Yuan

The notes 1 to 37 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Ordinary Share Capital	Retained Earning	Available for Sale Reserve	Total Shareholder's Equity
	$ '000	*$ '000*	*$ '000*	*$ '000*
Balance at 01/01/2014	**200,000**	**97,704**	**(819)**	**296,885**
Profit for the year	-	23,916	-	23,916
Other Comprehensive Income	-	-	1,650	1,650
Balance at 31/12/2014	**200,000**	**121,620**	**831**	**322,451**
Balance at 01/01/2015	**200,000**	**121,620**	**831**	**322,451**
Profit for the year	-	34,931	-	**34,931**
Other Comprehensive Loss	-	-	(107)	**(107)**
Balance at 31/12/2015	**200,000**	**156,551**	**724**	**357, 275**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 $ '000	2014 $ '000
Cash flows from operating activities			
Profit before tax		**44,755**	**30,526**
Adjustments for non- cash items			
Depreciation and amortization of fixed assets	13	1,912	1,980
Net impairment on loans and advances	10	(921)	14,710
Interest income	2	(82,919)	(89,344)
Interest expenses	2	36,884	39,318
Exchange gain & loss and accretion of discounts and amortisation of premiums of AFS financial investments		6,506	13,934
Revaluation loss/(gain) on financial derivatives	11	4,512	(7,775)
		(34,026)	**(27,177)**
(Increase)/ decrease in operating assets			
Loans to banks	8	(353,423)	37,241
Loans and advances to customers	9	804,752	(320,653)
Other assets	14	(94)	5,198
		451,235	**(278,214)**
(Decrease)/increase in operating liabilities			
Deposits by banks	16	(439,788)	187,143
Deposits from customers	17	(199,811)	117,956
Other liabilities		251	(852)
		(639,348)	**304,247**
Adjustment for cash items			
Interest received		84,684	88,079
Interest paid		(45,687)	(34,345)
Income tax paid		(7,235)	(10,035)
		31,762	**43,699**
Net cash from operating activities		**(145,622)**	**73,081**
Cash flow from investing activities			
Acquisition of available for sale financial investments	12	-	(157,226)
Matured/Disposal of available for sale investment	12	115,652	133,613
Acquisition of fixed assets	13	(376)	(98)
Net cash from investing activities		**115,276**	**(23,711)**
Net cash from financing activities		**-**	**-**
Net (decrease)/ increase in cash and cash equivalents		**(30,346)**	**49,370**
Cash and cash equivalents at 1 January	26	**73,549**	**25,010**
Effects of exchange rates on cash and cash equivalents		(1,391)	(831)
Cash and cash equivalents at 31 December	26	**41,812**	**73,549**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies

I. Corporate information

ICBC (London) plc ('the Bank'), a wholly owned subsidiary of Industrial and Commercial Bank of China Limited, is incorporated and domiciled in England and Wales with its registered office at 81 King William Street, London EC4N 7BG. The Bank is licensed to carry on banking business in the United Kingdom under the regulatory supervision of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA).

II. Basis of preparation

- *Statement of Compliance*

The financial statements have been prepared in accordance with FRS 102, the Companies Act 2006 and the special provisions of Schedule 2 of Large and Medium-sized Companies and Group (Accounts and Reports) Regulation 2008.

- *Basis of preparation*

The financial statements are prepared under the historical cost convention, except for the following items, which are measured at fair value:

- Derivatives financial instruments

- Available for Sale financial investments

The financial statements are prepared on a going concern basis as detailed in the Directors' report and statement of directors' responsibilities.

The financial statements were authorized for issue by the Board of Directors of the Bank on 11 April 2016.

III. Review of accounting policies

The Bank has adopted FRS 102 from 01 January 2015 departing from the old UK GAAP. Further, the Bank has chosen to adopt the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU), the disclosure requirements of Section 11 and 12 and the presentation requirements of paragraph 11.38A or 12.25B of FRS 102 in respect of Financial Instruments, which is similar to FRS 26 that was applied by the Bank until 31 December 2014.

There were no material transitional adjustments due to the adoption of FRS 102.

IV. Functional and presentational currency

The financial statements are prepared in US Dollars, which is the functional currency of the Bank. Unless otherwise indicated, all the figures are rounded to nearest thousand.

V. Foreign currencies transactions and balances

Transactions in currencies other than US Dollars are translated into US Dollars using the spot exchange rate ruling at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in currencies other than US Dollars are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non- monetary items measured at fair value are measured using the exchange rate when fair value was determined. When FRS 102 requires a gain or loss on non-monetary items to be recognised in other comprehensive income, the Bank recognises any component of that gain or loss in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 continued

1. Accounting policies (continued)

VI. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Actual results may differ from these estimates.

The key assumptions concerning the future, management judgements and estimations that have a significant risk of causing a material adjustment to the carrying amount of assets or liabilities within the next financial year are as below:

- *Impairment losses on loans and advances*

The Bank determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances. If any such evidence exists, the Bank assesses the amount of impairment losses. Management's judgement is required to identify whether objective evidence for impairment exists. It also requires significant estimation when determining the present value of the expected future cash flows.

- *Impairment of financial investments*

The Bank reviews its financial investments at each balance sheet date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

- *Fair value of financial instruments*

The fair values of financial assets and liabilities recorded on the balance sheet are primarily derived from active markets. In the absence of an active market, the fair value is determined using a variety of valuation techniques that include use of mathematical models. To the extent possible, valuation technique makes maximum use of market inputs. However, when market inputs are not available, management needs to make an estimate of such unobservable inputs.

VII. Exemption under FRS 102

The Bank has taken advantage of the following exemptions under FRS 102:

- **Related Party Disclosure**

The Bank has taken advantage of the exemption, under FRS 102.1.12 (e), to disclose key management personnel compensation in total.

- **First-time adoption exemptions:**

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease incentives – for leases commenced before 01 January 2014, the Bank continued to account for lease incentives under previous UK GAAP.

1. Accounting policies (continued)

VIII. Significant Accounting Policies

a. Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available for sale financial instruments, interest income or expense is recorded at the effective interest rate ('EIR'), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate and known credit losses that have been incurred, but not future credit losses not yet incurred. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

b. Fee and commission income

The Bank earns fee and commission income from the services it provides to its customers that are provided over a certain period of time. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed;
- income earned from the provision of services is recognised as revenue as the services are provided; and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate.

c. Financial instruments

The Bank has chosen to adopt the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU), the disclosure requirements of Section 11 and 12 and the presentation requirements of paragraph 11.38A or 12.25B of FRS 102 in respect of Financial Instruments.

Financial Assets
The Bank classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held to maturity investments
- Available for sale financial assets.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

1. Accounting policies (continued)

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are categorized as:

Financial assets held for trading

A financial asset is classified as held for trading if:

- It is acquired principally for the purposes of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking,
- It is a derivative that is not designated into a qualifying hedge relationship.

Financial Assets designated at fair value through profit or loss

Financial assets may be designated at fair value through profit or loss only if such a designation

- eliminates or significantly reduces a measurement or recognition inconsistency
- applies to a group of financial assets, financial liabilities, or both that the Bank manages and evaluates on a fair value basis; or
- relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

Financial Assets at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in the Profit and Loss Account. Subsequent to initial recognition, any gain or loss arising from changes in fair value are recognised in the Profit and Loss Account.

ii. Loans and receivables

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and which are not classified upon initial recognition as available for sale or at fair value through profit and loss. After initial measurement, loans and advances to banks and customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'interest receivable' in the Profit and Loss Account. The losses arising from the impairment are recognised in the Profit and Loss Account

iii. Available for sale financial assets

Available for sale assets are non-derivative financial assets including debt securities that are designated as available for sale on initial recognition or are not classified into any of the other categories described above.

At the initial recognition of financial instruments as available for sale, all financial instruments are to be carried at fair value. After initial measurement, financial instruments available for sale are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in other comprehensive income- the available-for-sale reserve. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Profit and Loss Account.

Interest income is recognised on available-for-sale debt securities using the effective interest rate, calculated over the asset's expected life. Premiums and/or discounts arising on the purchase of investment securities are included in the calculation of their effective interest rates.

1. Accounting policies (continued)

If the available for sale financial asset is impaired, the difference between the financial asset's acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the income statement, is removed from other comprehensive income and recognised in the Profit and Loss Account.

Impairment of financial assets

- *Loans and advances to banks and customers*

For loans and advances to banks and customers carried at amortised cost, the Bank assesses individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant, whether there is objective evidence of impairment. For the purpose of collective evaluation of impairment, which is intended to reflect incurred losses that have not yet been specifically identified, financial assets may be grouped on the basis of similar credit risk characteristics (e.g. asset type, industry, geographical risk etc.) and should reflect global risk factors that are difficult to quantify.

Objective evidence of impairment may include loss events and other changes such as:

- Significant financial difficulty of the borrower or obligor;
- Breach of contractual obligations such as non-payment or partial payment of interest or principal;
- Higher probability that the borrower will enter administration, liquidation or other financial reorganisation;
- Shrinkage or disappearance of an active secondary market for that financial asset;
- For collectively-assessed assets, reduced estimates of future cash flows consistent with related observable data such as unemployment, property prices, international sanctions and any other factors indicating a higher probability of default. Changes in historical loss experience should also result in reassessment of collective impairments.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Profit and Loss Account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written back when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank.

All impaired loans are reviewed for changes to the recoverable amount. If, in a subsequent year, the amount of estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the Profit and Loss Account.

The present value of the estimated cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

1. Accounting policies (continued)

- *Financial instruments held-to-maturity*

The Bank assesses at each reporting date whether there is objective evidence that a held-to-maturity asset is impaired. A held-to-maturity asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- *Financial instruments available for sale*

For financial instruments available for sale, the Bank assesses at each balance sheet date whether there is objective evidence that an instrument or a group of instruments is impaired.

Impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'interest receivable'. If, in a subsequent year, the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Profit and Loss Account, the impairment loss is reversed through the Profit and Loss Account.

Financial Liabilities

The Bank classifies its financial liabilities in the following categories:

i. Financial Liabilities at fair value through profit or loss

Financial Liabilities at fair value through profit or loss include:

- ***Financial Liabilities held for trading***

Financial liabilities are classified as held for trading if they are acquired principally for the purposes of selling and repurchasing in the near term, or form part of a portfolio of similar liabilities for which there is evidence of a recent actual pattern of short-term profit-taking, or they are derivatives that are not designated into a qualifying hedge relationship.

- ***Financial Liabilities designated at fair value through profit or loss***

Financial assets may be designated at fair value through profit or loss only if such a designation:

- eliminates or significantly reduces a measurement or recognition inconsistency;
- applies to a group of financial assets, financial liabilities, or both which is managed and its performance is evaluated on a fair value basis; or
- the financial instrument contains an embedded derivative which is not evidently closely related to the host contract.

Financial Liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in the Profit and Loss Account. Subsequent to initial recognition, any gain or loss arising from changes in fair value are recognised in Profit and Loss Account.

1. Accounting policies (continued)

ii. Other Financial Liabilities

All other financial liabilities are measured initially at fair value including transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Subsequently, they are carried at amortized cost using the effective interest rate method to amortize the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when:

i. the right to receive cash flows from the assets has expired; or
ii. when the Bank has transferred its contractual right to receive the cash flows of the financial assets, and substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the financial statements when the Bank has a current legally enforceable right to set off the recognized amount and the Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

d. Derivatives and hedge accounting

Derivatives are recorded at fair value at trade date and are subsequently recognised at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are taken to the Profit and Loss Account except for those derivatives used for Hedge Accounting.

Hedge accounting

The Bank uses a variety of derivative instruments to manage interest rate, foreign currency and credit risks etc. Derivatives are also used to manage risk on the Bank's exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank may apply hedge accounting for transactions which meet specified criteria.

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

Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Bank's accounting policy as set out below.

1. Accounting policies (continued)

Fair value hedges
Fair value hedges are hedges of the Bank's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and the gains and losses from both are taken to profit or loss.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

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

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

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

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

e. Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements (repos) continue to be recognised on the balance sheet where substantially all of the risks and rewards are retained. Funds received under these arrangements are included in deposits from banks, customer deposits, or trading liabilities. The difference between sale and repurchase price is treated as an interest expense and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are retained in the financial statements.

Conversely, securities purchased under agreements to resell (reverse repos) at a specified future date are not recognised in the balance sheet. The consideration paid, including accrued interest, is recorded in the balance sheet, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded as net interest income and is accrued over the life of the agreement using the effective interest rate method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability.

f. Taxation

Income Tax comprises current and deferred income tax. Tax is recognised in the profit and loss account, except that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is recognised in other comprehensive income.

1. Accounting policies (continued)

Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax shall be recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and legislation enacted, or substantively enacted, by the balance sheet date that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

g. Tangible fixed assets and depreciation

Fixed assets are recorded at cost less accumulated depreciation and any accumulated impairment.

Depreciation is calculated to write down the cost of fixed assets on a straight-line basis over the period of their estimated useful economic lives as follows:

Building	-	50 years
Refurbishment on building	-	10 years
Leasehold improvements, office furniture and equipment	-	5 years
Motor vehicles	-	5 years
Computer hardware and software	-	3 years

Land is not depreciated

The carrying values of tangible fixed assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate the carrying value may not be recoverable.

h. Employee Benefits

Short-term employee benefits

Short-term employee benefits such as salaries, paid holiday and sick leave and other benefits etc. are measured on undiscounted basis and recognized as expenses in the period of service rendered. Bonuses are recognised as provision to the extent that the Bank has a present obligation to its employees that can be measured reliably. All expenses related to employee benefits are recognised in Profit and Loss Account in Personal Expenses.

Defined Contribution Pension Plan

The Bank has a defined contribution pension plan for its eligible employees through personal pension schemes. Contributions are charged to the Profit and Loss Account as incurred. The amount recognized in Profit and Loss Account is disclosed in Note 4.

1. Accounting policies (continued)

i. Leases

The Bank pays rent under operating leases and these rents are charged to the Profit and Loss Account over the lease term on a straight-line basis.

j. Provision

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

The Bank has made provision for onerous lease contracts as set out at Note 22.

k. Contingent liabilities

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

l. Cash and cash items

Cash and cash equivalents comprise cash and balances due from other banks with a maturity period of less than three months.

2. Interest and similar income

2015

	Loans & receivables	Available for-sale	Interest rate swaps FVTPL*	Deposits by bank and customer accounts	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Interest and similar income					
arising from financial investments	-	6,490	-	-	6,490
Other interest and similar income	76,271	-	158	-	76,429
Total Interest and similar income	**76,271**	**6,490**	**158**	**-**	**82,919**
Interest expense	-	-	-	(36,884)	(36,884)
Net interest income	**76,271**	**6,490**	**158**	**(36,884)**	**46,035**
Fees and commissions income					13,574
Fees and commissions expense					(2,011)
Net fees income					**11,563**

** FVTPL – Fair Value through Profit and Loss Account*

Interest and other similar income on financial assets include interest income of $1,622,381 on impaired loans (2014: $75,144).

2014

	Loans & receivables	Available for-sale	Interest rate swaps FVTPL	Deposits by bank and customer accounts	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Interest and similar income					
arising from financial investments	-	6,127	-	-	6,127
Other interest and similar income	83,217	-	150	-	83,367
Total Interest and similar income	**83,217**	**6,127**	**150**	**-**	**89,494**
Interest expense	-	-	-	(39,468)	(39,468)
Net interest income	**83,217**	**6,127**	**150**	**(39,468)**	**50,026**
Fees and commissions income					16,016
Fees and commissions expense					(834)
Net fees income					**15,182**

3. Other operating income

	2015 $'000	2014 $'000
Fees earned for service level agreement with related parties	14,340	4,777
	14,340	**4,777**

The Bank earns fee income from service level agreements with the following related parties:

i. Industrial & Commercial Bank of China Ltd, London Branch ('the Branch') - for providing all people functions in order to conduct the commercial banking, treasury and global markets business of the Branch.

ii. Industrial & Commercial Bank of China Ltd - for providing Foreign Exchange, Precious Metal service, fixed income and derivative services, CNY financing services and CNY exchange trading services.

iii. Industrial & Commercial Bank of China Financial Services LLC- for providing human resources and regulatory compliance services.

4. Staff costs

Staff costs (including directors) comprise the following:

	2015 $'000	2014 $'000
Wages and salaries	14,397	13,028
Social security costs	1,464	1,311
Pension costs	375	327
Other costs	553	232
	16,789	**14,898**

The average number of persons employed during the year was made up as follows:

	2015	2014
	No	*No*
- Senior Management	6	5
- Corporate Banking	10	8
- Institutional Banking	6	3
- Treasury	8	8
- Retail Banking & Account Service	7	9
- PDS	12	12
- Risk Control	15	15
- Supporting Departments	36	29
- Compliance & Internal Audit	6	7
- Company Secretary	1	1
	107	**97**

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2015	2014
	$'000	*$'000*
Emoluments	1,148	800
	1,148	**800**

The emoluments of the highest paid director were as below:

	2015	2014
	$'000	*$'000*
Salary, benefits & performance related bonus	506	408
	506	**408**

6. Other operating expenses

	2015	2014
	$'000	*$'000*
Administrative expenses	7,734	7,602
Operating leases:		
- Operating lease charges	-	3
- Reversal of provision for onerous lease	(41)	(668)
Auditor's remuneration:		
- Audit of the financial statements	94	101
- Other services	134	2
	7,921	**7,040**

There was a change in auditors in 2015. Hence, the auditor's remuneration in 2015 was related to KPMG LLP, whereas the auditor's remuneration in 2014 was related to Mazars LLP.

7. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015	2014
	$'000	*$'000*
Current tax:		
UK corporation tax	(9,175)	(6,704)
Adjustments in respect of prior years	278	-
Total current tax	**(8,897)**	**(6,704)**
Deferred tax:		
Origination and reversal of timing differences	(179)	146
Adjustment for prior years	(548)	(65)
Effect of tax rate change on opening balance	(200)	13
Total deferred tax (charge)/credit for the year	**(927)**	**94**
Total charge for the year	**(9,824)**	**(6,610)**

The tax assessed on the profit on ordinary activities for the year is the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are reconciled below:

	2015	2014
	$'000	*$'000*
Profit on ordinary activities before tax	**44,755**	**30,526**
Profit on ordinary activities multiplied by standard rate of corporate tax in the UK of 20.25 % (2014: 21.5%)	(9,063)	(6,563)
Effects of:		
Expenses not deductible for tax purposes	(23)	(14)
Capital allowances in excess of depreciation of qualifying assets	(76)	(127)
Other timing differences	(13)	-
Adjustments in respect of prior years	278	-
Current tax charge for the year	**(8,897)**	**(6,704)**

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Further, the banking surcharge of 8 % will come into effect from 1 January 2016.The deferred tax liability at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability at 31 December 2015 by $ 40,191.

8. Loans and advances to banks

	2015	2014
	$'000	*$'000*
Gross loans and advances to banks	1,291,630	971,004
Loan fees received in advance	(1,902)	(3,008)
Less: Allowance for impairment losses (Note 10)	-	(240)
Net loans and advances to banks	**1,289,728**	**967,756**

The maturity profile of gross loans and advances to banks analysed by the remaining period as at 31 December to the contractual maturity dates is as follows:

	2015	2014
	$'000	*$'000*
Repayable:		
- on demand	41,615	73,306
- three months or less	892,440	589,027
- one year or less but over three months	267,575	257,242
- five years or less but over one year	90,000	51,429
	1,291,630	**971,004**

Gross loans & advances to banks by geographical areas:

	2015	2014
	$'000	*$'000*
Area:		
China	78,596	400,541
United Kingdom	690,812	181,484
United States	120,978	158,475
Turkey	136,756	109,186
Germany	59,490	60,429
South Africa	40,000	51,429
Hong Kong	6,047	5,255
Japan	50,375	-
Others	108,576	4,205
	1,291,630	**971,004**

	2015	2014
	US$000	*US$000*
Amounts include:		
Due from group entities	615,371	104,436

9. Loans and advances to customers

	2015	2014
	$'000	*$'000*
Gross loans and advances to customers	1,373,144	2,182,454
Loan fees received in advance	(11,921)	(16,479)
Less: Allowance for impairment losses (Note 10)	(14,079)	(14,760)
Net loans and advances to customers	**1,347,144**	**2,151,215**

The maturity profile of gross loans and advances to non-bank customers analysed by the remaining period as at 31 December to the contractual maturity dates is as follows:

	2015	2014
	$'000	*$'000*
- on demand	5,000	5,000
- three months or less	63,330	77,162
- one year or less but over three months	317,869	779,305
- five years or less but over one year	789,408	1,210,517
- over five years	197,537	110,470
	1,373,144	**2,182,454**

Gross Loans & Advances to customers by geographical areas:

	2015	2014
	$'000	*$'000*
Area:		
United Kingdom	318,729	596,655
Ireland	-	420,000
Netherland	242,334	114,754
Russia	142,055	91,176
Hong Kong	12,800	75,812
United States	45,624	74,198
Argentina	12,500	70,000
France	9,284	67,148
Switzerland	24,818	64,867
China	299,227	51,676
Angola	73,209	107,294
Others	192,564	448,874
	1,373,144	**2,182,454**

10. Impairment allowance

	Loan & Advances to Banks (Collective Impairment) $'000	Loan & Advances to Customers (Collective Impairment) $'000	Loan & Advances to Customers (Specific Impairment) $'000	Total $'000
Balance at 1 January 2014	**290**	**-**	**-**	**290**
Charge for the year	-	2,760	12,000	14,760
Reversal during the year	(50)	-	-	(50)
Balance at 31 December 2014	**240**	**2,760**	**12,000**	**15,000**
Balance at 1 January 2015	**240**	**2,760**	**12,000**	**15,000**
Charge for the year	-	-	-	-
Reversal during the year	(240)	(681)	-	(921)
Balance at 31 December 2015	**-**	**2,079**	**12,000**	**14,079**

11. Derivative financial instruments

In the following table, the fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the Bank in an orderly market transaction at the balance sheet date. The replacement cost is considered to be the same as the positive or negative fair value.

Derivatives are measured at their fair value, which is calculated as the present value of future expected net contracted cash flows at market related rates at balance sheet date.

	2015			**2014**		
	Positive fair value $000	**Negative fair value** $000	**Revaluation gain/(loss)** $000	**Positive fair value** $000	**Negative fair value** $000	**Revaluation gain/(loss)** $000
Forward Exchange Contract	29,541	(29,005)	(12)	29,566	(29,017)	(196)
Foreign Exchange Swap	504	(29)	(4,319)	6,281	(1,487)	8,057
Interest Rate Swap	3,654	(3,211)	(181)	4,826	(4,202)	(87)
	33,699	**(32,245)**	**(4,512)**	**40,673**	**(34,706)**	**7,774**

The above derivatives were not used for hedging purposes. Hence, the fair value gains/losses on these derivatives have been charged to the Profit and Loss account.

12. Available for sale financial investments

Available for sale financial investments include investment in quoted bonds. The Bank values bonds using the quoted market price at balance sheet date.

	2015	2014
	$'000	*$'000*
Balance at 1 January 2015	610,135	597,407
Additions	-	157,226
Disposals/ Matured	(115,652)	(133,613)
Fair value adjustment*	480	2,218
Premium/ Discount amortization	(1,663)	(6,436)
Foreign exchange difference	(3,452)	(6,667)
	489,848	**610,135**

* Fair value adjustment is net of fair value adjustment recycled though Profit and Loss Account at disposal of AFS Bond. The fair value adjustment recycled through P&L in 2015 is **nil** (2014: $ 61,000)

	2015	2014
	US$000	*US$000*
Analysed by maturity:		
- due within one year	74,804	117,013
- due after one year	415,044	493,122
Analysed by listing status:		
- listed	489,848	610,135
Analysed by sector:		
- Government	284,434	337,044
- Other sectors	205,414	273,091

13. Tangible fixed assets

	Land	Building	Office furniture and equipment	Computers	Motor vehicles	Leasehold improvement	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Original cost:							
At 1 January 2015	2,785	44,421	1,968	890	49	1,184	51,297
Additions	-	252	67	57	-	-	376
							-
At 31 December 2015	**2,785**	**44,673**	**2,035**	**947**	**49**	**1,184**	**51,673**
Accumulated depreciation:							
At 1 January 2015	-	5,056	1,429	729	49	1,184	8,447
Depreciation for the year	-	1,520	280	112	-	-	1,912
At 31 December 2015	**-**	**6,576**	**1,709**	**841**	**49**	**1,184**	**10,359**
Net book value:							
At 31 December 2015	**2,785**	**38,097**	**326**	**106**	**-**	**-**	**41,314**
At 31 December 2014	**2,785**	**39,365**	**539**	**161**	**-**	**-**	**42,850**

14. Prepayments, accrued income and other assets

	2015	2014
	$'000	*$'000*
Accrued interest receivable	6,988	8,753
Prepayments	482	543
Other assets	259	964
Amount owed by group undertakings	2,966	2,106
	10,695	**12,366**

15. Deferred tax assets/ (liabilities)

	2015	2014
	$'000	*$'000*
Deferred tax liabilities included in the balance sheet comprise the following:		
Accelerated capital allowances	(1,045)	(171)
Other timing differences	-	15
	(1,045)	**(156)**
Movements in deferred tax liabilities during the year were as follows:		
Balance at 1 January	**(156)**	**(233)**
Deferred tax (charged)/credited to the profit and loss account	(927)	94
Deferred tax credited /(charged) directly to other comprehensive income	38	(17)
Balance at 31 December	**(1,045)**	**(156)**

16. Deposits by banks

	2015	2014
	$'000	*$'000*
Repayable:		
- on demand	503,742	269,152
- three months or less	128,710	165,755
- one year or less but over three months	388,892	1,926,273
- five years or less but over one year	1,026,847	126,799
	2,048,191	**2,487,979**

	2015	2014
	$'000	*$'000*
Amounts include:		
Deposits by parent undertaking	1,202,739	1,166,492

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17. Customer accounts

	2015 $'000	2014 $'000
Repayable:		
- on demand	221,065	161,424
- three months or less	188,455	501,469
- one year or less but over three months	251,563	197,993
- five years or less but over one year	-	8
	661,083	**860,894**

18. Accruals & deferred Income

	2015 $'000	2014 $'000
Accrued interest payable	3,409	12,212
Deferred income	524	-
	3,933	**12,212**

19. Share capital

	2015 $'000	2014 $'000
Authorised share capital, ordinary shares of $1 each		
Balance at 31 December	**250,000**	**250,000**
Allotted, called up and fully paid, 200,000,000 ordinary shares of US$1 each:		
Balance at 31 December	**200,000**	**200,000**

20. Reconciliation of shareholder's funds and movements on reserves

	Share capital $'000	Retained earning $'000	Available for sale reserve $'000	Total sharehold er's fund $'000
At 1 January 2014	**200,000**	**97,704**	**(819)**	**296,885**
Profit for the year	-	23,916	-	23,916
Change in Fair Value of Available for sale(AFS) financial investments	-	-	2,279	2,279
Tax charge on change in Fair Value of AFS financial investments	-	-	(551)	(551)
AFS Reserve recycled through Profit and Loss upon disposal of the instruments.	-	-	(61)	(61)
Deferred tax asset recognised through equity	-	-	(17)	(17)
At 31 December 2014	**200,000**	**121,620**	**831**	**322,451**
At 1 January 2015	**200,000**	**121,620**	**831**	**322,451**
Profit for the year	-	34,931	-	34,931
Change in Fair Value of Available for sale (AFS) financial investments	-	-	480	480
Tax charge on change in Fair Value of AFS financial investments	-	-	(625)	(625)
Deferred tax asset recognised through equity			38	38
At 31 December 2015	**200,000**	**156,551**	**724**	**357,275**

The tax movements on available for sale gains follow the fair value movements and the tax credit is affected accordingly in the current year.

21. Subordinated Loan

	2015 *$'000*	**2014** *$'000*
USD Floating rate note (Libor plus 1.3 %)	100,000	100,000
	100,000	**100,000**

On 28 October 2013, a 10 year subordinated loan was raised from the Parent Bank. Interest is charged at a margin of 3 months Libor plus 1.3%. The subordinated loan will only be redeemed at maturity.

22. Provision for Liabilities

	2015	2014
	$'000	*$'000*
Balance at 1 January 2015	**440**	**1,351**
Reversal during the year	(199)	(911)
Balance at 31 December 2015	**241**	**440**

The Bank moved into a new office at King William Street in March 2012. This resulted in the lease on the two floors of the former premises becoming an onerous lease. The lease expires in April 2018. The onerous contract provision represents the estimated expected shortfall in cash flows between the rental cost and the possible inflows resulting from a planned subleasing. Following the annual assessment, the onerous contract provision has been decreased to $241,000.

23. Memorandum items – contingent liabilities and commitments

	2015	2014
	$'000	*$'000*
Undrawn documentary credits and short-term trade related transactions	127,959	168,874
Undrawn loans & advances	702,600	805,706
Balance at 31 December 2015	**830,559**	**974,580**

The table above discloses the nominal principal amounts of commitments, guarantees and other contingent liabilities. They are mainly credit-related instruments which include both financial and non-financial guarantees and commitments to extend credit. Nominal principal amounts represent the amounts at risk should contracts be fully drawn.

Operating lease commitments

At 31 December, the Bank had annual commitments under non-cancellable operating leases as set out below:

	2015	2014
	$'000	*$'000*
Not later than 1 year	605	639
Above 1 year but less than 5 years	605	1,278

24. Related Party

Ultimate Controlling Company

The Bank is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited, into which the financial statements of the Bank are consolidated. Copies of the group financial statements are available from 55, Fuxingmennei Dajie, Beijing, 100140, China (http://www.icbc-ltd.com.cn/icbc).

Outstanding balance of related party transactions

As per section 33.1A of FRS 102, the outstanding balance of transactions with the related parties not wholly owned by ICBC Group has been disclosed below:

	2015	2014
	$'000	*$'000*
Balance sheet		
Derivative financial Instruments (Assets)	1,362	-
Loans and advances to banks	40,000	21,429
Derivative financial Instruments (Liabilities)	(3,794)	-
Other Liabilities	363	-
Notional amount of FX derivatives outstanding	343,690	-
Profit and loss account		
Interest receivable from financial investments	632	48
Revaluation loss on Financial Derivatives	(2,432)	-
Commission Paid	(363)	-

The above transactions were with the following group entities:

i. ICBC Standard Bank Plc., 68 % owned subsidiary of Industrial and Commercial Bank of China Limited.

ii. Industrial and Commercial Bank of China (Argentina) Limited, 80 % owned subsidiary of Industrial and Commercial Bank of China Limited.

iii. Standard Bank Group Limited SA, 20 % owned associate of Industrial and Commercial Bank of China Limited.

25. Fair values of financial instruments

For the determination of the fair values of financial instruments, the Bank uses the following valuation techniques.

Derivatives

Derivatives which are valued using a valuation technique with market observable inputs are mainly interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial instruments – available for sale

Fair values of instruments listed in active markets are based on bid prices at the balance sheet date.

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – quoted prices in active markets for identical assets or liabilities.
Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly.
Level 3 – techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Assets				
Derivative financial instruments:				
Foreign Exchange Forwards	-	29,541	-	**29,541**
Foreign Exchange Swaps	-	504	-	**504**
Interest Rate Swaps	-	3,654	-	**3,654**
Available for sale financial investments:				
Government debt securities	284,434	-	-	**284,434**
Other debt securities	205,414	-	-	**205,414**
	489,848	**33,699**	**-**	**523,547**
Liabilities				
Derivative financial instruments:				
Foreign Exchange Forwards	-	29,005	-	**29,005**
Foreign Exchange Swaps	-	29	-	**29**
Interest Rate Swaps	-	3,211	-	**3,211**
	-	**32,245**	**-**	**32,245**

2014	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets				
Derivative financial instruments:				
Foreign Exchange Forwards	-	29,566	-	**29,566**
Foreign Exchange Swaps	-	6,281	-	**6,281**
Interest Rate Swaps	-	4,826	-	**4,826**
Available for sale financial investments				
Government debt securities	337,044	-	-	**337,044**
Other debt securities	273,091	-	-	**273,091**
	610,135	**40,673**	**-**	**650,808**
Liabilities				
Derivative financial instruments:				
Foreign Exchange Forwards	-	29,017	-	**29,017**
Foreign Exchange Swaps	-	1,487	-	**1,487**
Interest Rate Swaps	-	4,202	-	**4,202**
	-	**34,706**	**-**	**34,706**

The fair value of financial instruments not carried at fair value incorporates the Bank's estimate of the amount at which it would be able to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It does not reflect the costs / benefits that the Bank expects to measure on the flows generated over the expected life of the instrument.

Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost.
The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in the Bank's accounting policies and by balance sheet heading. The fair value of all financial instruments not carried at fair value is not considered to be materially different to the carrying value.

2015

	Fair Value through profit and loss	Available for sale Financial Investment	Financial assets and liabilities at amortised cost	Total
	$'000	*$'000*	*$'000*	*$'000*
Assets				
Cash and balances at central banks	-	-	197	197
Loans and advances to banks	-	-	1,289,728	1,289,728
Loans and advances to customers	-	-	1,347,144	1,347,144
Derivative financial instruments	33,699	-	-	33,699
Available for sale financial Investments	-	489,848	-	489,848
Total assets	**33,699**	**489,848**	**2,637,069**	**3,160,616**
Liabilities				
Deposits by banks	-	-	2,048,191	2,048,191
Customer accounts	-	-	661,083	661,083
Derivative financial instruments	32,245	-	-	32,245
Subordinated Loan	-	-	100,000	100,000
Total liabilities	**32,245**	**-**	**2,809,274**	**2,841,519**

2014

	Fair Value through profit and loss	Available for sale Financial Investment	Financial assets and liabilities at amortised cost	Total
	$'000	*$'000*	*$'000*	*$'000*
Assets				
Cash and balances at central banks	-	-	243	**243**
Loans and advances to banks	-	-	967,756	**967,756**
Loans and advances to customers	-	-	2,151,215	**2,151,215**
Derivative financial instruments	40,673	-	-	**40,673**
Available for sale financial investments	-	610,135	-	**610,135**
Total assets	**40,673**	**610,135**	**3,119,214**	**3,770,022**
Liabilities				
Deposits by banks	-	-	2,487,979	**2,487,979**
Customer accounts	-	-	860,894	**860,894**
Derivative financial instruments	34,706	-	-	**34,706**
Subordinated loan			100,000	**100,000**
Total liabilities	**34,706**	**-**	**3,448,873**	**3,483,579**

26. Cash and cash equivalents

	2015	2014
	$'000	*$'000*
Cash balance	197	243
Balance with other banks	41,615	73,306
	41,812	**73,549**

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27. Reclassifications

The following reclassifications have been made to the 2014 comparative figures in order to present them on a consistent basis with classifications adopted for 31 December 2015.

2014	Presentation after Reclassification $ '000	Original Presentation $ '000	Difference $ '000	Reason
Interest receivable from financial investments	6,127	6,127	-	
Other interest receivable	83,367	83,217	150	Interest Income on IRS was reclassified to interest income from interest expenses
Interest payable	(39,468)	(39,318)	(150)	
Net interest income	**50,026**	**50,026**	-	
Fees and commissions receivable	16,016	17,296	(1,280)	Fee income derived from services provided to Head Office has been reclassified to Other operating income
Fees and commissions payable	(834)	(834)	-	
Net fees and commission	**15,182**	**16,462**	**(1,280)**	
Revaluation gain/ (loss) on Financial Derivatives	7,774	(406)	8,180	Derivatives revaluation gain/ (loss) of USD 8180K has been reclassified to exchange gain/ (loss).
Foreign exchange gain/(loss) & realised gain/(loss) on financial derivatives	(8,612)	(432)	(8,180)	
Other operating income	4,777	3,497	1,280	Fee income derived from services provided to Head Office has been reclassified to Other operating income
Other operating expenditure	-	(2,482)	2,482	Other operating expenditure is merged with Other operating expenses
Gain/(Loss) on bonds	7	7	-	
Other Income	**3,946**	**184**	**3,762**	
Total income	**69,154**	**66,672**	**2,482**	
Personnel expenses	(14,898)	(14,898)	-	
Depreciation and amortisation	(1,980)	(1,980)	-	
Provisions for bad and doubtful debts	(14,710)	(14,710)	-	
Other operating expenses	(7,040)	(4,558)	(2,482)	Other operating expenditure is merged with Other operating expenses
Operating expenses	**(38,628)**	**(36,146)**	**(2,482)**	
Profit on ordinary activities before tax	**30,526**	**30,526**	-	
Tax on profit on ordinary activities	(6,610)	(6,610)	-	
			-	
Profit for the financial year	**23,916**	**23,916**	-	

28. Risk management

The Board has ultimate responsibility for setting the Bank's strategy, risk appetite and control framework; and measures performance against targets. To assist it in discharging these responsibilities, the Board has instituted a number of high level committees governed by clear terms of reference. The principal Board level committees are Audit Committee, Governance and Compliance Committee and Risk Committee. At the Executive level there are three major committees concerned with risk management issues: Executive Committee, Asset and Liability Committee, Credit Committee and Financial Crime Risk Committee.

The Bank has established an Enterprise-Wide Risk Management framework to strengthen its risk management practices, to ensure that the risks undertaken are managed within the Bank's risk appetite. The principles of risk management include a fine balance of risks and returns, and internal checks and balances with regards to efficiency, risk diversification, and the combination of quantitative and qualitative analysis.

Risk mitigation

The major financial risks faced by the Bank include credit risk, liquidity risk, market risk and operational risk.

Departmental policy and procedure manuals are written in accordance with the Bank's approach to the management of these risks. Employees are instructed to operate within the guidelines set out in Bank-wide policies and their own departmental procedures. Compliance & Legal Department and Internal Audit Department periodically carry out reviews to assess compliance.

As part of its Enterprise-Wide Risk Management, the Bank sets limits to control risk exposures. In setting a risk appetite and risk tolerance level, the Bank takes all material risks into account, including those arising from off-balance sheet transactions, as well as being consistent with the Bank's obligation to maintain the risk within the constraints, both explicit and implied by capital and liquidity regulations.

29. Credit risk

Credit risk exposes the Bank to losses caused by financial or other problems experienced by its clients. Credit risk is defined as the risk arising from an obligor's (typically a company, financial institution or issuer of financial instrument) failure to meet the terms of any agreement and obligations. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, whether reflected on-or off-balance sheet. Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions through loans and advances to banks and customers creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them.
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received.
- Trading transactions, giving rise to settlement risk; this refers mainly to short term trade finance transactions.

Credit risks can be impacted by country risk where cross border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks, sanctions imposed on sovereigns and the impact on the borrower's credit profile due to local economic and political conditions.

Fundamental principles used by the Bank in the management and measurement of credit risk are:

- A clear view of the target market.
- Use of quantitative and qualitative methods to assess counterparty credit worthiness.
- Analysis and monitoring of risks, including concentration risk by asset class, industry, and geography.
- Post-lending management involving monitoring and review of exposures once facilities have been disbursed.

The Bank places great emphasis on credit risk management and recognises it as a key risk in the operation of the Bank, therefore the objective is to avoid and minimise losses. Credit analysis is performed on all new and existing counterparties and related exposures in order to assess each counterparty's risk profile and their ability to repay. Counterparty credit risk is assessed using quantitative and qualitative analysis, as articulated in the Bank's Credit Policy, Credit Manual and other documents. Assessment of the clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and on-going stability of income and cash flow streams generated by the clients. The primary assessment method is therefore the ability of the client to meet their payment obligations.

It is the Bank's policy that credit limits for counterparties, with accompanying credit analysis, are reviewed at least annually. Exposures are monitored and controlled against limits set and approved for individual counterparties. The Bank's credit risk policy includes establishing industry sector limits, country limits and regulatory limits in addition to counterparty limits.

Credit risk mitigation

Collateral provides additional security and aids recovery of loans in the event of default and the Bank takes collateral whenever it is required. It is a requirement that the valuation of collateral is updated on regular basis and more so when credit risk deteriorates significantly and the customer is monitored more closely.

The Bank considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants include any collateral item over which the Bank has a pledge of security, first charge on property, netting agreements, cash, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

The principal credit risk mitigation tool is the Master Netting Agreement, which enables the Bank to offset the exposures to ICBC entities that have formally acceded to the Agreement ($ 931 million at 31 December 2015), against the deposits and funds received from these ICBC entities as at 31 December 2015. Hence the net exposure to ICBC Group is maintained within the regulatory large exposure threshold.

Commercial real estate lending activities in the UK are collateralised by mortgages or charges over property. The following characteristics of the property are considered: the type of property, its location, tenant mix, sponsor and the ease with which the property could be re-let and/or re-sold. Commercial real estate lending generally takes the form of good quality property often underpinned by strong third party leases. Commercial property valuations will continue to form part of the Bank's on-going focus on collateral assessment. It is the Bank's policy to obtain a formal valuation before advancing funds.

Exposure to the property market is well diversified with a strong bias towards prime locations and a focus on quality of tenants for commercial assets. Quality of collateral is important but the primary consideration in all commercial real estate deals is debt serviceability, which is stress-tested across various dimensions. Loan to value ratio, interest cover ratio and debt service ratio are the main parameters set to assess risks in commercial real estate lending. All commercial real estate transactions are located in the UK and particularly in London.

In addition, the Bank has taken collateral in the form of standby letters of credit and guarantees issued by insurance companies and financial institutions. The Bank does not rely on credit derivatives in its credit risk mitigation techniques.

In the Commodity and Structured Finance portfolio, some of the loan transactions are collateralised by assignment of inventory and receivables and by cash paid into a collection account by the borrowers.

The majority of the Bank's credit exposures are unsecured, including syndicated lending facilities, trade finance and interbank lending. Consequently the Bank has put in place a stringent credit assessment process to consider counterparties' creditworthiness.

The Bank does not undertake lending to retail customers.

Requests for waivers and amendments of existing credit facilities are submitted to credit committee and authorised approvers.

Maximum exposure to credit risk

The table below shows maximum exposure to credit risk for the relevant components of the Bank's balance sheet. The difference between the gross and net exposure is the eligible credit risk mitigation and impairment provision.

	2015		**2014**	
	Gross Maximum Exposure *$'000*	**Net Maximum Exposure** *$'000*	**Gross Maximum Exposure** *$'000*	**Net Maximum Exposure** *$'000*
Loans and advances to banks	1,291,630	696,259	971,004	967,756
Loans and advances to customers	1,373,144	1,029,143	2,182,454	1,176,173
Available for sale financial investments	489,848	489,848	610,135	610,135
	3,154,622	**2,215,250**	**3,763,593**	**2,754,064**
Contingent Liabilities & Commitment	830,559	784,918	974,580	974,580
Total credit risk exposure	**3,985,181**	**3,000,168**	**4,738,173**	**3,728,644**

Past Due but not impaired loans

Contractual payments of either principal or interest being past due up to 89 days are defined as past due but not impaired. As at 31 December 2015, no loan was past due but not impaired.(2014: none).

Specific impairment and collective impairment

Past due and impaired loans

According to the Bank's impairment policy, a financial asset or group of assets is impaired and impairment losses are recognised only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the assets. At each balance sheet date an assessment is made of whether there is objective evidence of impairment in the book. If evidence exists, a detailed impairment calculation is performed to determine if an impairment loss should be recognised. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

Objective evidence of impairment includes the following:

- Significant financial difficulty of the issuer or obligor.
- Breach of contract such as clear evidence of event of default.
- Payments of either principal or interest exceeding 90 days or more have not been received.
- The issuer or obligor will enter bankruptcy proceedings.
- The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the Bank has to rely on secondary sources for repayment.
- The asset is no longer traded publicly or there is no market to trade the assets.
- Clear evidence of measurable data indicating that actual and future cash flow will be insufficient to service interest and principal.

At 31 December 2015, the gross amount of impaired loans and advances to customers amounted to $30 million (2014: $30 million) and the value of identifiable collateral held against those loans was nil. Specific impairment provisions of $12 million are maintained (2014: $12 million).

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above specific impairment raised, the Bank recognises a collective impairment allowance at portfolio level. Third party measures of probability of default (PD) are applied to the Bank's credit exposures. Where there are collateral and credit risk mitigants, appropriate adjustment is made to arrive at net exposure. In the absence of a third party PD, ICBC Group's internal Global Credit Risk Management (GCMS) rating are sourced and converted to a PD corresponding to the PD table of Standard & Poor's.

Using the above methodology, a collective impairment of $2.08 million is carried as at 31 December 2015 (2014: $3 million).

	2015		2014	
	Specific Impairment Provision	Collective Impairment Provision	Specific Impairment Provision	Collective Impairment Provision
	$'000	*$'000*	*$'000*	*$'000*
Impairment Provisions	**12,000**	**2,079**	**12,000**	**3,000**

The Bank uses external credit ratings and reports of two major credit rating agencies, namely Standard & Poor's and Fitch, to evaluate counterparty credit risk. Internal (ICBC Group) rating models, based on the Global Credit Management System, are used for counterparties that are unrated by the major credit agencies. The criteria and long term credit ratings of the rating agencies are used to differentiate and distinguish the credit quality of loans from investment grades (AAA to BBB- by S&P/Fitch) and sub-investment grades (BB+ downwards to B-).

Under the classification of asset by credit quality, over 57% of the Financial Institution (FI) and Corporate books are of investment grade. Over 81% of FI counterparties are of investment grade. A relatively small proportion of credit exposures (15.1%) are in the sub-investment grade category. 27.5% of the Bank's portfolio is not rated by external rating agencies. Although some of the counterparties in the book have no external credit rating, the internal ICBC Group rating model is used to assess the counterparties and their credit worthiness. Both rated and unrated counterparties include credit exposures to commercial real estate in the UK, which are collateralised and underpinned by the property assets in prime locations.

Credit quality per class of financial assets

	Available for sale	Available for sale
	$000	*$000*
Financial investments		
Investment grade	489,848	610,135
Total	**489,848**	**610,135**

	2015		2014	
	Loans and advances Current	Loans and advances Past Due and Impaired	Loans and advances Current	Loans and advances Past Due and Impaired
	$000	$000	$000	$000
Loans and advances to banks				
Investment grade	1,230,287	-	542,220	-
Sub investment grade	32,971	-	257,869	-
Unrated	28,372	-	170,915	-
Total	**1,291,630**	**-**	**971,004**	**-**
Loans and advances to customers				
Investment grade	299,227	-	922,945	-
Sub investment grade	370,065	-	478,782	1,000
Unrated	685,852	18,000	774,727	5,000
Total	**1,355,144**	**18,000**	**2,176,454**	**6,000**

Regional Exposure

The table below analyses the geographical spread of loans to banks, loans to customers, financial investments and contingent liabilities.

	2015		2014	
	$000	%	$000	%
Asia and Pacific (including China)	639,675	16.05	789,578	16.7
Europe:				
UK	1,571,310	39.43	1,429,719	30.2
Other EU	476,710	11.96	905,186	19.1
Non-EU	472,692	11.86	341,327	7.2
North America	424,772	10.66	608,352	12.8
South America	32,500	0.82	70,000	1.5
Africa	113,209	2.84	353,543	7.5
International Organization*	254,313	6.38	240,712	5.1
Total regional exposure	**3,985,181**	**100**	**4,738,417**	**100**

* International Organization comprises multilateral organizations including Multilateral Development Banks.

30. Liquidity risk

Liquidity risk is the inability to meet contractual payments and other financial obligations on their due date, or the inability to fund the asset book and business needs of the Bank. Like all major banks, the Bank is dependent on confidence in the short and long-term wholesale funding markets.

The Bank's policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding to retain full public confidence in the solvency of the Bank and to enable the Bank to meet its financial obligations as well as requirements under the PRA guidelines. This is achieved through monitoring the level of Liquidity Coverage Ratio and liquid assets, and through setting limits to control liquidity risk exposure and vulnerabilities. The Bank's governance structure in respect of liquidity risk management embodies the Board and its Asset Liability Management Committee.

The table below summarises the maturity profile of the Bank's financial liabilities with respect to its undiscounted cash flows.

2015

US$ '000	1 Month and less	Over 1 month to 3 Months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Over 5 Years	Contractual Cash flow	Carrying Amount
Non Derivatives Liabilities								
Deposits by banks	532,507	100,719	275,041	115,075	1,045,643	-	**2,068,985**	**2,048,191**
Customer accounts	341,932	67,925	233,617	19,577	-	-	**663,051**	**661,083**
Subordinated Loan	-	-	-	-	-	100,293	**100,293**	**100,000**
Derivative Financial Liabilities								**32,245**
Cash Inflow	(174,447)	(98,396)	(36,238)	(136,619)	(332,316)	-	**(778,016)**	**-**
Cash Outflow	176,082	106,090	38,812	141,879	345,173	-	**808,036**	**-**
	876,074	**176,338**	**511,232**	**139,912**	**1,058,500**	**100,293**	**2,862,349**	**2,841,519**
Undrawn Documentary credits	21,795	40,144	4,875	11,786	49,359	-	**127,959**	**127,959**
Undrawn Loan Commitment	-	17,752	184,705	101,863	319,670	78,610	**702,600**	**702,600**
	897,869	**234,234**	**700,812**	**253,561**	**1,427,529**	**178,903**	**3,692,908**	**3,672,078**

2014

US$ '000	1 Month and less	Over 1 month to 3 Months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Over 5 Years	Contractual Cash flow	Carrying Amount
Non Derivatives Liabilities								
Deposits by banks	342,727	92,324	842,313	1,100,231	183,326	-	**2,560,921**	**2,487,979**
Customer accounts	449,058	213,972	166,617	31,880	9	-	**861,536**	**860,894**
Subordinated Loan	-	-	-	-	-	100,277	**100,277**	**100,000**
Derivative Financial Liabilities								**34,706**
Cash Inflow	(65,740)	(173,645)	(125,047)	(273,363)	(274,833)	-	**(912,628)**	**-**
Cash Outflow	67,145	182,132	130,260	282,339	280,195	-	**942,071**	**-**
	793,190	**314,783**	**1,014,143**	**1,141,087**	**188,697**	**100,277**	**3,552,177**	**3,483,579**
Undrawn Documentary credits	9,058	34,287	46,324	15,092	64,113	-	**168,874**	**168,874**
Undrawn Loan Commitment	-	5,907	45,000	140,039	614,760	-	**805,706**	**805,706**
	802,248	**354,977**	**1,105,467**	**1,296,218**	**867,570**	**100,277**	**4,526,757**	**4,458,159**

At 31 December 2015, the Bank held highly liquid assets comprising Available for sale Bonds of $459 million. These can be used in the event of any liquidity stress event. In addition, stress testing of the liquidity position against a range of scenarios is carried out on a quarterly basis, and a contingency funding plan has been designed so that mitigating actions can be taken if liquidity is required.

Encumbered assets

The Bank may pledge its assets as collateral to secure liabilities under repurchase agreements. No assets were pledged as at 31 December 2015(2014: Nil).

31. Market risk

Market risk is defined as the risk of losses arising from movements in market prices. The Bank is exposed to few market risks. The principal risk is Foreign Exchange (FX) risk arising both from the banking book and trading book. As the Bank does not undertake proprietary trading and market making, trading book exposure only arises from client servicing. In the banking book, there are positions arising from interest income, financial and tax expenses, and impairment provisions. Another potential market risk is position risk arising from trading products: FX forward, FX swaps and Interest Rate Swaps (IRS). Due to the Bank's back-to-back trading strategy, there is no material market risk arising from these trading products.

Foreign exchange risk

The Bank's framework for managing market risk is based on their being clear segregation between risk takers and the management and control functions. Portfolio FX exposure limits are set to control foreign exchange risk, and are monitored on a daily basis. Throughout 2015, the foreign currency exposure was within limits at all times. At 31 December 2015, FX overnight exposure was $(1.47) million (2014: $1.09 million).

FX Sensitivity Analysis

The table below shows the impact on the profit of the Bank due to a shift in the USD exchange rate equally against all other currencies by various basis points as below.

Movement in USD Exchange Rate	2015 ($)	2014 ($)
USD appreciates 200 basis points	20,302	(5,689)
USD appreciates 400 basis points	40,605	(11,251)
USD appreciates 800 basis points	81,210	(22,019)
USD depreciates 200 basis points	(20,302)	5,823
USD depreciates 400 basis points	(40,605)	11,788
USD depreciates 800 basis points	(81,210)	24,173

Monitoring and management of risk

The Bank sets market risk limits to control market risk. These limits are monitored by the Risk & Asset Liability Management (ALM) Department, which is independent from the Treasury Department. The Risk & ALM Department submits regular reports to the Bank's Asset and Liability Committee and Risk Committee. These committees review major market risk indicators and take any necessary decisions. Risk & ALM Department also submits monthly reports on foreign currency exposures and trading products to the Parent Bank, which in turn provides the Bank with regular guidance on market risk management.

32. Interest rate risk in banking book

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The primary form of interest rate risk is re-pricing risk which arises from timing differences in the maturity (for fixed-rate instruments) and re-pricing (for floating-rate instruments) of the Bank's assets, liabilities and Off Balance Sheet positions.

The interest rate re-pricing gap of the Bank at 31 December 2015 is set out below. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. The sensitivity of the Profit and Loss Account is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate non-trading financial assets and liabilities held as at 31 December 2015.

Interest rate sensitivity table

2015

US$ '000	Not more than 3 months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Above 5 years	Non-Interest bearing	Total
Assets							
Liquid assets	-	-	-	-	-	197	**197**
Loans and advances to banks	1,097,761	127,904	64,063	-	-	-	**1,289,728**
Loans and advances to customers	1,165,332	153,580	28,232	-	-	-	**1,347,144**
AFS Financial Investments	-	34,758	40,046	415,044	-	-	**489,848**
Fixed and other assets	-	-	-	-	-	85,708	**85,708**
Total assets	**2,263,093**	**316,242**	**132,341**	**415,044**	**-**	**85,905**	**3,212,625**
Liabilities							
Deposits by banks	1,639,298	294,373	114,520	-	-	-	**2,048,191**
Customer accounts	409,520	232,307	19,256	-	-	-	**661,083**
Other liabilities	-	-	-	-	-	46,076	**46,076**
Subordinated loan	100,000	-	-	-	-	-	**100,000**
Shareholders' funds	-	-	-	-	-	357,275	**357,275**
Total liabilities & Shareholders' Fund	**2,148,818**	**526,680**	**133,776**	**-**	**-**	**403,351**	**3,212,625**
Interest rate sensitivity gap	**114,275**	**(210,438)**	**(1,435)**	**415,044**	**-**	**(317,446)**	
Cumulative gap	**114,275**	**(96,163)**	**(97,598)**	**317,446**	**317,446**	**-**	**-**

The table below shows projected changes in 2015 Profit/ (Loss) of the Bank arising from a shift in yield curves:

Basis points shift	US$000
+100	(319)
+200	(638)
-100	319
-200	638

For each shift in the basis points on its funding rate, the Bank can expect the change in the amount of its profit or loss as illustrated. The impact on the re-pricing periods within one year shows a net profit and a net loss respectively to a positive and negative shift in the basis points.

2014

US$ '000	Not more than 3 months	Over 3 months to 6 months	Over 6 months to 1 Year	Above 1 year to 5 years	Above 5 years	Non-Interest bearing	Total
Assets							
Liquid assets	-	-	-	-	-	243	**243**
Loans and advances to banks	817,948	133,542	19,514	-	-	(3,248)	**967,756**
Loans and advances to customers	2,102,569	79,885	-	-	-	(31,239)	**2,151,215**
AFS Financial Investments	51,226	65,787	-	493,122	-	-	**610,135**
Fixed and other assets	-	-	-	-	-	95,889	**95,889**
Total assets	**2,971,743**	**279,214**	**19,514**	**493,122**	**-**	**61,645**	**3,825,238**
Liabilities							
Deposits by banks	1,400,409	836,890	161,117	89,563	-	-	**2,487,979**
Customer accounts	662,866	166,118	31,910	-	-	-	**860,894**
Other liabilities	-	-	-	-	-	53,914	**53,914**
Subordinated loan	100,000	-	-	-	-	-	**100,000**
Shareholders' funds	-	-	-	-	-	322,451	**322,451**
Total liabilities & Shareholders' Fund	**2,163,275**	**1,003,008**	**193,027**	**89,563**	**-**	**376,365**	**3,825,238**
Interest rate sensitivity gap	**808,468**	**(723,794)**	**(173,513)**	**403,559**	**-**	**(314,720)**	
Cumulative gap	**808,468**	**84,674**	**(88,839)**	**314,720**		**-**	**-**

The table below shows projected changes in 2014 Profit/(Loss) of the Bank arising from a shift in yield curves:

Basis points shift	**US$ '000**
+100	2,741
+200	5,481
-100	(2,741)
-200	(5,481)

For each shift in the basis points on its funding rate, the Bank can expect the change in the amount of its profit or loss as illustrated. The impact on the re-pricing periods within one year shows a net profit and a net loss respectively to a positive and negative shift in the basis points.

33. Operational risk (Unaudited)

The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is a pervasive risk that involves all aspects of business as well as other people with whom the Bank deals. The nature of the Bank's operational risk exposures is more likely to involve 'high-frequency/low-impact' events. The main drivers of operational risk are processes, people and systems.

The objective of operational risk management is not to remove operational risk altogether but to manage and control operational risk in a cost-effective manner consistent with the Bank's risk appetite. The Bank has control systems and procedures in place to ensure that operational losses are minimized. As part of the Bank's risk appetite, an operational loss ratio is set, monitored and reported to Senior Management and the Board. In 2015, the operational loss ratio was set at 0.10% of average net income before tax, and has been within the limit and stable as compared to 2014.

34. Country by country reporting

The following Country by country reporting disclosure is made according **to Capital Requirement Regulations 2013**:

2015

United Kingdom	**Business**	**Turnover** *US$ '000*	**Average employees**	**Profit before tax** *US$ '000*	**Tax on profit** *US$ '000*	**Public subsidies received**
ICBC (London) plc	Banking	70,456	107	44,755	(9,824)	-

2014

United Kingdom	**Business**	**Turnover** *US$ '000*	**Average employees**	**Profit before tax** *US$ '000*	**Tax on profit** *US$ '000*	**Public subsidies received**
ICBC (London) plc	Banking	69,154	97	30,526	(6,610)	-

35. Capital (Unaudited)

The Bank's policy is to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ('BIS rules/ratios') and adopted by the Prudential Regulation Authority in supervising and regulating the Bank.

There were no breaches in capital requirements reported in the year.

The primary objective of the Bank's capital management activities is to ensure that the Bank complies with internal and external capital requirements. The Bank maintains sufficient capital ratios in order to support its business and to maximize shareholder's value.

The Bank manages and adjusts its capital structure in the light of changes in economic conditions and the risk characteristics of its activities.

Regulatory capital

	2015	**2014**
	US$ '000	*US$ '000*
Share capital	200,000	200,000
Retained earning	156,551	121,620
Available for sale reserves	724	831
Total Tier 1 Capital	**357,275**	**322,451**
Subordinated loan	100,000	100,000
Collective impairment provision	2,079	3,000
Total Tier 2 Capital	102,079	103,000
Total Capital	**459,354**	**425,451**

On 28 October 2013, 10 year subordinated loan was granted by the Parent Bank to the Bank to replace the previous loan with the same notional value of $100 million. This subordinated loan is classified as lower Tier 2 capital and is subject to amortisation on a straight line basis from October 2018. Interest is charged at a margin of 3 months Libor plus 1.3%.

36. UK Regulatory Pillar 3 disclosures (Unaudited)

The UK regulatory Pillar 3 disclosures can be found at the following web address:

www.icbclondon.com/aboutus/about/ICBC (London)plc./Annual Report/Pillar 3 disclosures.

37. Events after the balance sheet date

There have been no adjustable events after the balance sheet date.

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