

# INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

## Disclosure Statement

For the nine-months ended 30 September 2016



## Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China (New Zealand) Limited for the nine months ended 30 September 2016 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

- (a) "Bank", "Registered Bank" or "ICBC (NZ)" means Industrial and Commercial Bank of China (New Zealand) Limited;
- (b) "Banking Group" and "Group" means the Bank and its subsidiaries. As at the date of this disclosure statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;
- (c) "ICBC", the "Ultimate Parent Bank", the "Ultimate Holding Company", the "Parent" and the "Controlling Bank" mean the Industrial and Commercial Bank of China Limited, incorporated in China;
- (d) "NZD" means the New Zealand Dollar, "RMB" means the Chinese Yuan, "USD" means the United States Dollar and "AUD" means the Australian Dollar;
- (e) "Board" means the board of directors of the Bank; and
- (f) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The financial statements of ICBC (NZ) for the nine-month period ended 30 September 2016 form part of and should be read in conjunction with this Disclosure Statement.

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

## Contents

DISCLOSURE STATEMENT .....	2
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED CORPORATE INFORMATION .....	3
SUBORDINATION OF CLAIMS OF CREDITORS.....	3
GUARANTEE .....	4
DIRECTORS .....	4
AUDITOR .....	5
CONDITIONS OF REGISTRATION FOR INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED .....	5
PENDING PROCEEDINGS OR ARBITRATION .....	9
CREDIT RATINGS .....	9
OTHER MATERIAL MATTERS .....	10
DIRECTORS' STATEMENTS.....	10
APPENDIX 1 - FINANCIAL STATEMENTS .....	11

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

### Address for Service

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

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

- (b) The Bank's website address is [www.icbcnz.com](http://www.icbcnz.com)

### Nature of Business

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

### Details of Ultimate Parent Bank and Ultimate Holding Company

- (a) Ultimate Parent Bank

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

The registered address of ICBC is:

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

- (b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

- (c) Shareholding in ICBC

As at 30 September 2016, 68.11% of total shares in ICBC are owned by the Chinese government. The remaining 31.89% of the shares in ICBC is held by public shareholding. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Further details concerning the shareholdings in ICBC are on the ICBC website: [www.icbc.com.cn](http://www.icbc.com.cn)

- (d) Annual Report of ICBC

A copy of the latest ICBC annual report is on the ICBC website: [www.icbc.com.cn](http://www.icbc.com.cn)

- (e) Summary on restrictions of supporting the Bank

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

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

The Bank is a wholly-owned subsidiary of ICBC.

### Subordination of Claims of Creditors

#### Priority of claims in the event of liquidation

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

## Guarantee

### Guarantee arrangements

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

A copy of the guarantee of the Bank's indebtedness given by ICBC is provided in the Bank's Disclosure Statement for the period ended 31 December 2015. A copy of the Disclosure Statement can be obtained from the Bank's website [www.icbcnz.com](http://www.icbcnz.com).

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

### Details of the guarantor (Parent)

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

The address for service of ICBC is:

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

As at 30 September 2016, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 1,953,995 million (per third quarterly report financial - unaudited) (NZ\$403,305 million), representing 14.18% of risk weighted exposure.

- (b) Credit Rating

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

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

- (c) Rating movement history

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

### Details of the guaranteed obligations (Parent)

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

- (a) There are no limits on the amount of the obligations guaranteed.
- (b) Termination of the guarantee under any of the circumstances outlined in clause 6 Termination of the Guarantee is subject to satisfaction of the relevant obligations in respect of each creditor which have been incurred on or prior to the date of termination.
- (c) There are no material legislative or regulatory restrictions in China that would have the effect of subordinating the claims of the Bank's creditors under the guarantee to other claims on ICBC in a winding up of ICBC.
- (d) The ICBC guarantee does not have an expiry date.

## Directors

The responsible person authorised to sign the Disclosure Statement on behalf of the Board, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, is Qian Hou (Executive Director).

The Board comprises:

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

## Auditor

The name and address of the auditor referred to in this Disclosure Statement is:

KPMG  
KPMG Centre  
18 Viaduct Harbour Avenue  
Auckland 1140, New Zealand

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

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

### 1. That –

- (a) the Total capital ratio of the Banking Group is not less than 8%;
- (b) the Tier 1 capital ratio of the Banking Group is not less than 6%;
- (c) the Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5%;
- (d) the Total capital of the Banking Group is not less than \$30 million;
- (e) the Bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued after 1 January 2013 in the calculation of its capital ratios unless it has received a notice of non-objection to the instrument from the Reserve Bank; and
- (f) the Bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

For the purposes of this condition of registration, -

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

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

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

### 1A. That –

- (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP') (BS12) dated December 2007;
- (b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015; and
- (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

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

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

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

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

For the purposes of this condition of registration –

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

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities. In this condition of registration, the meaning of “material” is based on generally accepted accounting practice.
3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets.

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

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

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

- (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration –

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

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

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

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

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

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

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

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the bank complies with the following corporate governance requirements:
  - (a) the board of the bank must have at least five directors;
  - (b) the majority of the board members must be non-executive directors;
  - (c) at least half of the board members must be independent directors;
  - (d) an alternate director,—
    - (i) for a non-executive director must be non-executive; and
    - (ii) for an independent director must be independent;
  - (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
  - (f) the chairperson of the board of the bank must be independent;
  - (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank); and
  - (h) that the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank.

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

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:
  - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (b) the Reserve Bank has advised that it has no objection to that appointment.
8. That a person must not be appointed as chairperson of the board of the bank unless:
  - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (b) the Reserve Bank has advised that it has no objection to that appointment.
9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
  - (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
  - (b) the committee must have at least three members;
  - (c) every member of the committee must be a non-executive director of the bank;
  - (d) the majority of the members of the committee must be independent; and
  - (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

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

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.
11. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:
  - (a) the one-week mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day;
  - (b) the one-month mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day; and
  - (c) the one-year core funding ratio of the Banking Group is not less than 75 per cent at the end of each business day.

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

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
  - (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
  - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

- (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
  - (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.
13. That no more than 10% of total assets may be beneficially owned by a SPV.  
For the purposes of this condition -

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

“SPV” means a person —

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

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

14. That –

- (a) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
  - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
  - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and
- (b) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
  - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
  - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and
  - (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

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

15. That, for a loan-to-valuation measurement period, the total of the bank’s qualifying new mortgage lending amount in respect of APIL with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of APIL arising in the loan-to-valuation measurement period.
16. That, for a loan-to-valuation measurement period, the total of the bank’s qualifying new mortgage lending amount in respect of ANPIL with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of ANPIL arising in the loan-to-valuation measurement period.
17. That, for a loan-to-valuation period, the total of the Bank’s qualifying new mortgage lending amount in respect of non-Auckland loans with a loan-to-valuation ratio of more than 80% must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non-Auckland loans arising in the loan-to-valuation measurement period.
18. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the bank’s agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration, -

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

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

In conditions of registration 15 to 18 -



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

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

## Pending Proceedings or Arbitration

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

## Credit Ratings

### ICBC NZ Rating Information

On 28 August 2015, Moody's Investors Service upgraded the Bank's long-term Bank deposits, senior unsecured and issuer ratings to A1 from A2. The Bank's Short-term Bank deposits and issuer ratings were affirmed at P-1.

On 4 March 2016, Moody's Investors Service changed the "Outlook" rating to "Negative" from "Stable", reflecting the change to the outlook on Chinese Sovereign rating. No changes were made to any other ratings.

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

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

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

## Rating Information

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

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

<sup>1</sup> Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, or (3) in lower end. Fitch and S&P apply plus (+) or minus (-) signs to ratings from "AA" to "CCC" to indicate relative standing within the major rating categories.

<sup>2</sup> Credit ratings are statements of opinion issued by rating agencies. A credit rating is not a statement of fact, an endorsement of the rated entity, or a recommendation to buy, hold, or sell securities. Analytic services provided by rating agencies are the result of separate activities designed to preserve the independence and objectivity of rating opinions.

## Other Material Matters

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

## Directors' Statements

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

1. As at the date on which the Disclosure Statement is signed:

- (a) The Disclosure Statement contains all the information that is required by the "Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended)", ("the Order"); and
- (b) The Disclosure Statement is not false or misleading.

2. During the nine-month period ended 30 September 2016:

- (a) the Registered Bank has complied with all conditions of registration that applied during the period;
- (b) Credit exposures to connected persons were not contrary to the interest of the Banking Group; and
- (c) The Registered Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 24 November 2016 and has been signed by Qian Hou as the responsible person for and on behalf of all the Directors (by Directors' resolution):



Qian Hou  
Executive Director

## Appendix 1 - Financial Statements

### **Industrial and Commercial Bank of China (New Zealand) Limited**

Financial Statements for the nine-month period ended 30 September 2016

## Contents

<b>STATEMENT OF COMPREHENSIVE INCOME</b> .....	13
<b>STATEMENT OF CHANGES IN EQUITY</b> .....	14
<b>STATEMENT OF FINANCIAL POSITION</b> .....	15
<b>STATEMENT OF CASH FLOWS</b> .....	16

### Notes to and Forming Part of the Financial Statements

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES .....	18
NOTE 2 - OTHER INCOME .....	18
NOTE 3 - IMPAIRMENT ALLOWANCE .....	19
NOTE 4 - TAXATION .....	20
NOTE 5 - LOANS AND ADVANCES TO CUSTOMERS .....	20
NOTE 6 - DEPOSITS FROM CUSTOMERS .....	20
NOTE 7 - CERTIFICATES OF DEPOSIT AND DEBT SECURITIES ISSUED .....	21
NOTE 8 - ASSET QUALITY .....	21
NOTE 9 - TRANSACTIONS WITH RELATED PARTIES .....	24
NOTE 10 - CONCENTRATION OF CREDIT RISK .....	26
NOTE 11 - CONTINGENT LIABILITIES AND COMMITMENTS .....	30
NOTE 12 - SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE .....	30
NOTE 13 - DIVIDEND .....	30
NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS .....	30
NOTE 15 - LIQUIDITY RISK .....	33
NOTE 16 - CAPITAL ADEQUACY .....	35
NOTE 17 - RISK MANAGEMENT POLICIES .....	46
NOTE 18 - SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS .....	46

## STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Unaudited 30 September 2016 9 months	Unaudited 30 September 2015 9 months	Audited 31 December 2015 12 months
Interest Income		18,117	8,383	12,903
Interest Expense		(7,789)	(4,809)	(6,838)
<b>Net Interest Income</b>		<b>10,328</b>	<b>3,574</b>	<b>6,065</b>
Net gains/ (losses) on financial instruments at fair value through P&L		(14,863)	(440)	(9,778)
Other Income	2	15,397	2,949	10,443
<b>Total operating income</b>		<b>10,862</b>	<b>6,083</b>	<b>6,730</b>
Operating expenses		(7,833)	(5,748)	(8,918)
Impairment provisioning on loans and advances to customers	3	(935)	(379)	(768)
<b>Net profit/(loss) before taxation</b>		<b>2,094</b>	<b>(44)</b>	<b>(2,956)</b>
Taxation (expense)/ benefit	4	-	-	-
<b>Net profit/(loss) after taxation</b>		<b>2,094</b>	<b>(44)</b>	<b>(2,956)</b>
Net change in available-for sale reserve (net of tax)		-	-	-
Net change in cash-flow hedge reserve (net of tax)		-	-	-
Foreign currency translation reserve		-	-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>2,094</b>	<b>(44)</b>	<b>(2,956)</b>

## STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
<b>For the nine months ended 30 September 2016 (unaudited)</b>				
Balance at the beginning of the period		60,378	(6,118)	54,260
Capital injection from shareholders		85,082	-	85,082
Net profit/(loss) for the period		-	2,094	2,094
<b>Total comprehensive income for the period</b>		-	2,094	2,094
<b>Balance at 30 September 2016</b>		<b>145,460</b>	<b>(4,024)</b>	<b>141,436</b>
<b>For the nine months ended 30 September 2015 (unaudited)</b>				
Balance at the beginning of the period		60,378	(3,162)	57,216
Capital injection from shareholders		-	-	-
Net profit/(loss) for the period		-	(44)	(44)
<b>Total comprehensive income for the period</b>		-	(44)	(44)
<b>Balance at 30 September 2015</b>		<b>60,378</b>	<b>(3,206)</b>	<b>57,172</b>
<b>For the year ended 31 December 2015 (audited)</b>				
Balance at the beginning of the period		60,378	(3,162)	57,216
Capital injection from shareholders		-	-	-
Net profit/(loss) for the year		-	(2,956)	(2,956)
<b>Total comprehensive income for the period</b>		-	(2,956)	(2,956)
<b>Balance at 31 December 2015</b>		<b>60,378</b>	<b>(6,118)</b>	<b>54,260</b>

## STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
<b>Assets</b>				
Cash, cash equivalents and balances with central banks		57,699	47,108	86,816
Amounts due from related parties	9	-	-	-
Due from banks and other financial institutions		11,959	30,989	265,908
Financial assets designated at fair value through profit or loss		-	-	-
Financial assets held for trading		-	-	-
Financial assets held to maturity		45,772	4,951	4,942
Available-for-sale assets		-	-	-
Derivative Financial Assets		1,171	2,543	665
Loans and advances to customers	5,8	588,539	303,780	379,889
Property, plant and equipment		931	1,531	1,401
Intangible assets		1	5	4
Current taxation		81	-	81
Deferred tax assets		-	-	-
Other assets		2,042	2,537	2,031
<b>Total assets</b>		<b>708,195</b>	<b>393,444</b>	<b>741,737</b>
<b>Liabilities</b>				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	9	261,878	141,465	460,976
Financial liabilities held for trading		-	-	-
Derivative Financial Liabilities		490	503	8,982
Deposits from customers	6	172,078	140,452	127,337
Certificates of Deposit	7	29,805	-	14,884
Debt securities issued	7	95,695	50,000	70,411
Deferred tax liabilities		-	-	-
Other liabilities		6,812	3,851	4,886
<b>Total liabilities</b>		<b>566,759</b>	<b>336,272</b>	<b>687,477</b>
<b>Shareholder's equity</b>				
Share capital		145,460	60,378	60,378
Reserves		(4,024)	(3,206)	(6,118)
<b>Total shareholder's equity</b>		<b>141,436</b>	<b>57,172</b>	<b>54,260</b>
<b>Total shareholder's equity and liabilities</b>		<b>708,195</b>	<b>393,444</b>	<b>741,737</b>
Total interest earning and discount bearing assets	10	689,594	368,285	701,255
Total interest and discount bearing liabilities		461,443	271,794	605,573

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

These financial statements were approved by the directors on 24 November 2016 and are signed on their behalf by:



Qian Hou  
Executive Director

## STATEMENT OF CASH FLOWS

Thousands of dollars	Unaudited 30 September 2016 9 months	Unaudited 30 September 2015 9 months	Audited 31 December 2015 12 months
<b>Cash flows from operating activities</b>			
Interest income	17,912	7,115	12,052
Other income	(7,680)	586	9,192
Personnel expenses	(4,364)	(3,063)	(4,443)
Other operating expenses	(2,230)	(2,271)	(3,400)
Interest expense	(7,236)	(3,939)	(5,522)
Taxes paid	-	-	(82)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>	<b>(3,598)</b>	<b>(1,572)</b>	<b>7,797</b>
<b>Changes in operating assets and liabilities arising from cash flow movements:</b>			
(Increase)/decrease in financial assets held for trading	-	-	-
(Increase)/decrease in loans and advances to customers	(209,585)	(218,463)	(294,961)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase / (decrease) in deposits from customers	44,741	127,134	114,019
Increase/(decrease) in amounts due to related parties	(199,098)	(405,554)	(86,043)
Increase/ (decrease) in amounts due to financial institutions	-	-	-
(Increase) / decrease in other assets	(12)	-	-
Increase/(decrease) in other liabilities	5	(241)	(144)
(Increase)/decrease in amounts due from related parties	-	246	246
Increase / (decrease) in certificates of deposit	14,921	-	14,884
<b>Net change in operating assets and liabilities</b>	<b>(349,028)</b>	<b>(496,878)</b>	<b>(251,999)</b>
<b>Net cash flows from operating activities</b>	<b>(352,626)</b>	<b>(498,450)</b>	<b>(244,202)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	-	(109)	(137)
Purchase of intangible software assets	-	(4,964)	-
Purchase of financial assets held to maturity	(40,886)	-	(4,964)
<b>Net cash flows from investing activities</b>	<b>(40,886)</b>	<b>(5,073)</b>	<b>(5,101)</b>
<b>Cash flows from financing activities</b>			
Issue of shares	-	-	-
Capital injection from shareholders	85,082	-	-
Proceeds from related parties	-	-	-
Increase in debt securities issued	25,364	-	20,407
Dividends paid	-	-	-
<b>Net cash flows from financing activities</b>	<b>110,446</b>	<b>-</b>	<b>20,407</b>
Increase/(Decrease) in cash and cash equivalents	(283,066)	(503,523)	(228,896)
Cash and cash equivalents at beginning of year	352,724	581,620	581,620
Effect of exchange rate changes on cash and cash equivalents	-	-	-
<b>Cash and cash equivalents</b>	<b>69,658</b>	<b>78,097</b>	<b>352,724</b>
<b>Cash and cash equivalents at end of period comprised:</b>			
Cash, cash equivalents and balances with central banks	57,699	47,108	86,816
Due from banks and other institutions classified as cash equivalents	11,959	30,989	265,908
<b>Total cash and cash equivalents</b>	<b>69,658</b>	<b>78,097</b>	<b>352,724</b>



STATEMENT OF CASH FLOWS (CONTINUED)

Thousands of Dollars	Unaudited 30 September 2016 9 months	Unaudited 30 September 2015 9 months	Audited 31 December 2015 12 months
<b>Reconciliation of net profit after taxation to net cash-flows from operating activities</b>			
<b>Net profit/(loss) after taxation</b>	<b>2,094</b>	<b>(44)</b>	<b>(2,956)</b>
<b>Non cash movements:</b>			
Unrealised fair value adjustments	(634)	(1,010)	193
Depreciation	470	457	615
Amortisation of intangibles	3	2	3
Amortisation of financial instruments	56	13	22
Increase in collective allowance for impairment losses	930	379	768
Loss on written-off financial assets	5	-	-
(Increase)/decrease in deferred expenditure	-	-	-
Unsecured lending losses	-	-	-
Unrealised foreign exchange loss/(gain)	(8,363)	(1,010)	8,144
(Increase)/decrease in deferred taxation	-	-	-
Interest expense on debt securities issued	(80)	-	3
<b>Increase in operating assets and liabilities</b>	<b>(7,613)</b>	<b>(1,169)</b>	<b>9,748</b>
(Increase)/decrease in interest receivable	(98)	(1,370)	(1,166)
Increase/(decrease) in payable accruals	553	804	1,251
(Increase)/decrease in loans and advances to customers	(209,585)	(218,463)	(294,961)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase/(decrease) in deposits from customers	44,741	127,134	114,019
Increase/(decrease) in certificates of deposit	14,921	-	14,884
Increase/(decrease) in amounts due to other financial institutions	-	-	-
Increase/(decrease) in other liabilities	1,373	126	713
Increase/(decrease) in amounts due to related parties	(199,098)	(405,554)	(86,043)
(Increase)/decrease in current taxation	-	-	(82)
(Increase)/decrease in other assets	86	(160)	145
(Increase)/decrease in amounts due from related parties	-	246	246
<b>Net cash flows from operating activities</b>	<b>(352,626)</b>	<b>(498,450)</b>	<b>(244,202)</b>

## Note 1 - Statement of Accounting Policies

### (1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank"). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements are for the nine months ended 30 September 2016.

These financial statements have been prepared and presented in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) ("the Order").

They were approved for issue by the Directors on 24 November 2016. The address of the Bank's registered office is Level 11, 188 Quay Street, Auckland 1010, New Zealand. The Bank provides its products and services to retail and wholesale/institutional customers.

### (2) Basis of Preparation

These interim financial statements are for the Bank for the nine months ended 30 September 2016. They have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit oriented entities, and the New Zealand Equivalent to International Accounting Standards 34, Interim Financial Reporting (NZ IAS 34), International Accounting Standard 34 (IAS 34), and the Order, and should be read in conjunction with the Bank's financial statements for the year ended 31 December 2015. These interim financial statements do not include all the disclosures required for full annual financial statements and are condensed financial statements in accordance with NZ IAS 34.

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value.

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

### (3) Presentation Currency

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

### (4) Changes in accounting policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2015, except as disclosed below.

The following new amendment to standards relevant to the Banking has been adopted from 1 January 2016 and has been applied in the preparation of these financial statement:

Disclosure Initiative (Amendments to NZ IAS 1) effective for periods on or after 1 January 2016 has been adopted. Adoption of this standard has not resulted in any impact on the Bank's reported results or financial position.

### (5) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods.

## Note 2 - Other Income

Thousands of dollars	Unaudited 30 September 2016 9 months	Unaudited 30 September 2015 9 months	Audited 31 December 2015 12 months
Banking and lending fee income	1,857	744	1,206
Payment services fee income	481	355	485
Bad debts recovered	-	-	-
Net foreign exchange gains/(losses) and commissions	13,129	1,760	8,521
Gain on sale of property, plant and equipment	-	-	-
Other revenue	(70)	90	231
<b>Total other income</b>	<b>15,397</b>	<b>2,949</b>	<b>10,443</b>

### Note 3 - Impairment Allowance

#### Unaudited 30 September 2016

##### Individually impaired assets

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

##### Collective allowance for impairment losses

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

#### Unaudited 30 September 2015

##### Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 September 2015
Balance at the beginning of the period	-	-	-	-
Charge to statement of comprehensive income in current period	-	-	-	-
Bad debts written off	-	-	-	-
<b>Balance as at 30 September 2015</b>	-	-	-	-

##### Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 September 2015
Balance at the beginning of the period	1	19	463	483
Charge to statement of comprehensive income in current period	2	140	237	379
Advances written off	-	-	-	-
<b>Balance as at 30 September 2015</b>	3	159	700	862
<b>Total charge to statement of comprehensive income</b>	2	140	237	379

### Note 3 - Impairment Allowance (continued)

#### Audited 31 December 2015

##### Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31 December 2015
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-
Bad debts written off	-	-	-	-
<b>Balance as at 31 December 2015</b>	-	-	-	-

##### Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31 December 2015
Balance at the beginning of the year	1	19	463	483
Charge to statement of comprehensive income in current year	3	160	605	768
Advances written off	-	-	-	-
<b>Balance as at 31 December 2015</b>	4	179	1,068	1,251
<b>Total charge to statement of comprehensive income</b>	3	160	605	768

### Note 4 - Taxation

The taxation expense for the nine-months period ended 30 September 2016 is nil (30 September 2015: nil, 31 December 2015, nil).

### Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Residential mortgage loans	171,079	91,054	102,410
Corporate exposures	419,571	213,517	278,643
Credit Cards	70	71	87
Other exposures	-	-	-
Allowance for impairment losses	(2,181)	(862)	(1,251)
<b>Total net loans and receivables</b>	<b>588,539</b>	<b>303,780</b>	<b>379,889</b>
Current	210,809	130,500	132,689
Non-Current	377,730	173,280	247,200

### Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Retail deposits	35,662	41,618	23,687
Wholesale deposits	136,416	98,834	103,650
Other	-	-	-
<b>Total deposits</b>	<b>172,078</b>	<b>140,452</b>	<b>127,337</b>
New Zealand	164,156	130,035	113,216
Overseas	7,922	10,417	14,121
Current	171,928	92,469	83,501
Non-Current	150	47,983	43,836

## Note 7 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Certificates of deposit (CDs)	29,805	-	14,884
Other debt securities	95,695	50,000	70,411
<b>Total debt securities issued</b>	<b>125,500</b>	<b>50,000</b>	<b>85,295</b>
Current	29,805	-	14,884
Non-Current	95,695	50,000	70,411

## Note 8 – Asset Quality

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

Note 8 – Asset Quality (continued)

Unaudited 30 September 2015	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
<b>Total neither past due nor impaired</b>	71	91,054	213,517	304,642
<b>Past due assets not impaired</b>				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
<b>Total past due assets not impaired</b>	-	-	-	-
<b>Individually impaired assets</b>				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
<b>Total individually impaired assets</b>	-	-	-	-
<b>Total gross loans and advances</b>	71	91,054	213,517	304,642
<b>Individually assessed provisions</b>				
Balance at beginning of the year	-	-	-	-
<b>Charge/(credit) to the statement of comprehensive income:</b>				
New provisions	-	-	-	-
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
<b>Balance at end of the period</b>	-	-	-	-
<b>Collectively assessed provisions</b>				
Balance at beginning of the year	1	19	463	483
Charge (credit) to the statement of comprehensive income	2	140	237	379
Other movements	-	-	-	-
<b>Balance at end of the period</b>	3	159	700	862
<b>Total provisions for impairment losses</b>	3	159	700	862
<b>Total net loans and advances</b>	68	90,895	212,817	303,780

Note 8 – Asset Quality (continued)

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

The Bank does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 30 September 2016 (30 September 2015: nil, 31 December 2015: nil). Therefore, the Bank does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were \$200,260K as at 30 September 2016 (30 September 2015: \$27,623K, 31 December 2015: \$168,294K).

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the period ended 30 September 2016 (30 September 2015: nil, 31 December 2015: nil).

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

## Note 9 – Transactions with Related Parties

### A. Balance with related parties

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Amounts due from ultimate parent	-	-	-
Amount due from subsidiaries of ultimate parent	-	-	-
<b>Total amount due from related entities</b>	-	-	-
Current	-	-	-
Non-Current	-	-	-
Amounts due to ultimate parent	261,878	141,465	421,502
Amount due to subsidiaries of ultimate parent	-	-	39,474
<b>Total amount due to related entities</b>	261,878	141,465	460,976
Current	82,607	84,948	330,858
Non-Current	179,271	56,517	130,118
<b>Off Balance sheet transactions</b>			
Due from parent	86,645	-	-
Due to parent	86,553	-	-

1. Nostro account balance held with parent as at 30 September 2016 is NZ\$2,221K (30 September 2015: \$2,108K, 31 December 2015: \$1,033K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

2. ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counter party and country level exposures at financial reporting period ends.

### B. Related party transactions

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
<b>Interest income on amount due from related entities</b>			
Ultimate parent	16	162	165
Subsidiaries of ultimate parent	-	-	-
<b>Total interest income on amount due from related entities</b>	16	162	165
<b>Interest expense on amount due to related entities</b>			
Ultimate parent	3,521	2,213	3,103
Subsidiaries of ultimate parent	626	-	88
<b>Total interest expense on amount due to related entities</b>	4,147	2,213	3,191
<b>Other operating income</b>			
Gain/(loss) on derivative contracts with ultimate parent	(62)	(54)	(77)
Other income	-	(8)	(6)

Interest payable to parent as at 30 September 2016 was NZ\$624K (30 September 2015: NZ\$272K, 31 December 2015: NZ\$778K), and interest payable to subsidiaries of the ultimate parent was NZ\$112K (30 September 2015: nil, 31 December 2015: NZ\$88K). This is included in interest payable balance and interest paid expense.

Parent includes ICBC Head Office and other branches.

There is a NZ\$17,231K loan guaranteed by ICBC Shenzhen (30 September 2015: NZ\$19,624K, 31 December 2015: NZ\$18,275K).

On 28 April 2016 the Bank entered into a risk participation agreement with the Hong Kong branch of ICBC. The agreement had the commercial effect of transferring the Bank's rights and risks in an undrawn loan commitment of EUR 23,000k to ICBC, Hong Kong branch.

### C. Guarantees

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



## Note 9 – Transactions with Related Parties (continued)

As at 30 September 2016, 68.11% of total shares in ICBC were owned by the Chinese government. The remaining 31.89% of the shares in ICBC were held by the public. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

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

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

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

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

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

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

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

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

### D. Senior management compensation

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Salaries and other short-term benefits	1,044	968	1,241
Other benefits	-	-	-
<b>Total key management compensation</b>	<b>1,044</b>	<b>968</b>	<b>1,241</b>

## Note 10 – Concentration of Credit Risk

The following table breaks down the Bank's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows. For further details on how credit risk is managed and for On Balance Sheet and Off Balance Sheet credit exposure details, refer to notes 16.

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Government	74,396	33,647	116,259
Finance (including banks)	84,753	66,282	250,288
Households	171,476	91,294	102,711
Transport and storage	16,151	18,067	19,505
Communications	15,078	15,131	15,145
Electricity, gas and water	49,438	7,762	7,421
Construction	71,710	-	43,272
Property services	19,023	7,157	8,797
Agriculture	6,107	6,108	6,111
Forestry, fishing and mining	177,962	102,147	147,931
Health and community services	-	-	-
Personal and other services	-	-	-
Retail and wholesale trade	18,246	44,786	23,992
Food and other manufacturing	5,004	-	-
Less: allowance for impairment provisioning	(2,181)	(862)	(1,251)
<b>Total financial assets</b>	<b>707,163</b>	<b>391,519</b>	<b>740,181</b>
Less: non-interest earning financial assets	(17,569)	(23,234)	(38,926)
<b>Total interest earning and discount bearing financial assets</b>	<b>689,594</b>	<b>368,285</b>	<b>701,255</b>

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

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
<b><u>New Zealand</u></b>			
North Island	573,502	313,869	670,751
South Island	6,077	6,078	6,110
<b><u>Overseas</u></b>			
China	84,170	14,090	8,386
USA	6,020	18,553	35,813
Singapore	21	1,587	222
Hong Kong	26,056	37,176	18,821
Australia	79	166	78
Europe	6,884	-	-
Other countries	4,354	-	-
<b>Total financial assets</b>	<b>707,163</b>	<b>391,519</b>	<b>740,181</b>

Note 10 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Loans and advances to customers	588,539	303,780	379,889
Trade and Other Receivables	-	-	-
Other financial assets	1,579	2,148	1,398
<b>On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)</b>	<b>590,118</b>	<b>305,928</b>	<b>381,287</b>
Cash and cash equivalents	57,699	47,108	86,816
Amounts due from related parties	-	-	-
Due from other financial institutions	11,959	30,989	265,908
Financial assets held for trading	-	-	-
Financial assets held to maturity	45,772	4,951	4,942
Available-for-sale assets	-	-	-
Derivative financial instruments	1,171	2,543	665
Loans and advances to customers	-	-	-
Tax Receivable	-	-	-
Other financial assets	444	-	563
<b>Total on Balance Sheet Credit Exposures</b>	<b>707,163</b>	<b>391,519</b>	<b>740,181</b>
Off Balance Sheet Exposures	207,509	32,736	172,909
<b>Total Off Balance Sheet Credit Exposures</b>	<b>207,509</b>	<b>32,736</b>	<b>172,909</b>

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

55.29% of the Bank's mortgage portfolio is owner-occupied residential properties (30 September 2015: 54.53%, 31 December 2015 50.11%).

As at the reporting date, of the drawn balances on credit facilities with undrawn commitments, there are none that are classified as individually impaired, or balances under administration (30 September 2015: Nil, 31 December 2015: Nil).

## Note 10 – Concentration of Credit Risk (continued)

### (i) Credit exposure to individual counterparties

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

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

Peak End of Day Credit Exposures	Unaudited During the 3 months period ended 30 September 2016		Unaudited During the 3 months period ended 30 September 2015		Audited During the 3 months period ended 31 December 2015	
	Number of Counterparties		Number of Counterparties		Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other	Bank	Other
10% - 14%	-	5	-	2	-	4
15% - 19%	-	2	-	1	-	1
20% - 24%	1	1	1	1	-	-
25% - 29%	-	-	-	2	1	2
30% - 34%	-	1	-	2	-	5
35% - 39%	-	-	-	1	-	1
40% - 44%	-	1	-	-	-	-
45% - 49%	-	-	-	1	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	1	-	-	-	-
60% - 64%	-	-	-	-	-	1
65% - 69%	-	1	-	-	-	1
70% - 74%	-	-	-	-	-	-
75% - 79%	-	-	-	-	-	-
80% - 84%	-	-	-	-	-	1
85% - 89%	-	-	-	-	-	-
90% - 94%	-	1 <sup>1</sup>	-	-	-	-
155% - 159%	-	-	-	1 <sup>2</sup>	-	-
160% - 164%	-	-	-	-	-	-
165% - 169%	-	-	-	-	-	1
210% - 214%	-	-	-	-	-	1 <sup>3</sup>

The Bank did not have any counterparties in the bands 95% through 154%, and 170% through 209%.

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

<sup>1</sup> The loan classified within the 90%-94% category is 98.82% collateralised by cash deposits.

<sup>2</sup> The loan classified within the 155%-159% category is 87.88% collateralised by cash deposits.

<sup>3</sup> The loan classified within the 210%-214% category is 86.59% collateralised by cash deposits.

Note 10 – Concentration of Credit Risk (continued)

Credit Exposures as at Reporting Date	Unaudited As at 30 September 2016		Unaudited As at 30 September 2015		Audited As at 31 December 2015	
	Number of Counterparties		Number of Counterparties		Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other	Bank	Other
10% - 14%	-	5	-	2	1	4
15% - 19%	-	2	-	1	-	1
20% - 24%	-	1	1	1	-	-
25% - 29%	-	-	-	2	-	1
30% - 34%	-	1	-	3	-	5
35% - 39%	-	-	-	1	-	-
40% - 44%	-	1	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	1	-	-	-	1
60% - 64%	-	-	-	-	-	-
65% - 69%	-	1	-	-	-	1
70% - 74%	-	-	-	-	-	-
75% - 79%	-	-	-	-	-	-
80% - 84%	-	1 <sup>3</sup>	-	-	-	1
155% - 159%	-	-	-	1 <sup>1</sup>	-	-
160% - 164%	-	-	-	-	-	-
165% - 169%	-	-	-	-	-	1
170% - 174%	-	-	-	-	-	1 <sup>2</sup>

The Bank did not have any counterparties in the band 85% through 154%.

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

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

<sup>1</sup> The loan classified with the 155%-159% is 88.03% collateralised by cash deposits.

<sup>2</sup> The loan classified with the 170%-174% is 93.34% collateralised by cash deposits.

<sup>3</sup> The loan classified with the 80%-84% is 98.63% collateralised by cash deposits.

## Note 11 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 December 2015
Performance/financial guarantees issued on behalf of customers	7,249	5,113	4,615
<b>Total contingent liabilities</b>	<b>7,249</b>	<b>5,113</b>	<b>4,615</b>
<b>Undrawn Commitments</b>	<b>200,260</b>	<b>27,623</b>	<b>168,294</b>

## Note 12 – Subsequent Events after Balance Sheet Date

There were no subsequent events after balance date which would materially affect the financial statements (30 September 2015: nil, 31 December 2015: nil).

## Note 13 – Dividend

During the 9 months ended 30 September 2016 the Bank has not paid any dividends to its shareholders (30 September 2015: nil, 31 December 2015: nil).

## Note 14 – Fair Value of Financial Instruments

### Unaudited 30 September 2016

Thousands of dollars	Carrying amount	Estimated Fair Value
<b>Financial assets</b>		
Cash, cash equivalents and balances with central banks	57,699	57,699
Amounts due from related parties	-	-
Due from banks and other financial institutions	11,959	11,959
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	45,772	45,900
Available-for-sale assets	-	-
Derivative financial assets	1,171	1,171
Loans and advances to customers	588,539	588,960
Other financial assets	2,023	2,023
<b>Total financial assets</b>	<b>707,163</b>	<b>707,712</b>
<b>Financial liabilities</b>		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	261,878	262,211
Financial liabilities held for trading	-	-
Derivative financial liability	490	490
Deposits from customers	172,078	172,919
Certificates of deposit	29,805	29,805
Debt securities issued	95,695	96,989
Other financial liabilities	6,630	6,630
<b>Total financial liabilities</b>	<b>566,577</b>	<b>569,045</b>

Note 14 – Fair Value of Financial Instruments (continued)

Unaudited 30 September 2015

Thousands of dollars	Carrying amount	Estimated Fair Value
<b>Financial assets</b>		
Cash, cash equivalents and balances with central banks	47,108	47,108
Amounts due from related parties	-	-
Due from banks and other financial institutions	30,978	30,989
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	4,951	4,981
Available-for-sale assets	-	-
Derivative financial assets	2,543	2,543
Loans and advances to customers	303,780	303,986
Other financial assets	2,148	2,148
<b>Total financial assets</b>	<b>391,519</b>	<b>391,755</b>
<b>Financial liabilities</b>		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	141,465	141,737
Financial liabilities held for trading	-	-
Derivative financial liability	503	503
Deposits from customers	140,452	140,743
Certificates of deposit	-	-
Debt securities issued	50,000	50,920
Other financial liabilities	3,756	3,756
<b>Total financial liabilities</b>	<b>336,177</b>	<b>337,660</b>

Audited 31 December 2015

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

## Note 14 – Fair Value of Financial Instruments (continued)

### Fair value Assumptions

- i. The carrying value of cash and cash equivalents is the fair value.
- ii. For on demand and deposits from customers maturing within six months, due from/to other financial institutions, the carrying value is considered to be the fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- iii. The carrying value of loans and advances to customers is net of allowance for impairment loss. For loans and advances to customers maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value are calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- iv. For amounts due from/to related parties maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- v. The fair value of financial assets held to maturity, derivative financial instruments, and debt securities is determined by a discounted cash flow basis, which is based on the interest rate repricing and maturity of the instruments.
- vi. The carrying value of other financial assets and liabilities is considered to be the fair value.

### Fair Value Measurements Recognised in the Balance Sheet

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

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

#### Unaudited 30 September 2016

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	1,171	(490)	681
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	1,171	(490)	681

#### Unaudited 30 September 2015

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	2,543	(503)	2,040
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	2,543	(503)	2,040

#### Audited 31 December 2015

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	665	(8,982)	(8,317)
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	665	(8,982)	(8,317)



## Note 15 – Liquidity Risk

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

The Bank manages its liquidity risk through the Treasury Department and aims at:

- 1 Optimising the structure of assets and liabilities;
- 2 Maintaining the stability of the deposit base;
- 3 Projecting cash flows and evaluating the level of current assets; and
- 4 Maintaining an efficient internal fund transfer mechanism/agreement with the Parent Bank for liquidity.

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

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

Unaudited 30 September 2016	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
<b>Financial assets</b>						
Cash, cash equivalents and balances with central banks	57,701	-	-	-	-	57,701
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	11,972	-	-	-	11,972
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	5,580	1,084	44,025	-	50,689
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	68	84,377	146,735	273,486	251,034	755,700
Other financial assets	-	45	-	151	-	196
<b>Total financial assets</b>	<b>57,769</b>	<b>101,974</b>	<b>147,819</b>	<b>317,662</b>	<b>251,034</b>	<b>876,258</b>
<b>Financial liabilities</b>						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	75,789	4,122	2,911	196,195	-	279,017
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	17,702	64,646	90,312	159	-	172,819
Certificates of deposit	-	30,000	-	-	-	30,000
Debt securities issued	-	1,468	2,074	97,234	-	100,776
Other financial liabilities	68	-	3,309	617	-	3,994
<b>Total financial liabilities</b>	<b>93,560</b>	<b>100,236</b>	<b>98,606</b>	<b>294,205</b>	<b>-</b>	<b>586,607</b>
<b>Net non-derivative cash flows</b>	<b>(35,791)</b>	<b>1,738</b>	<b>49,213</b>	<b>23,457</b>	<b>251,034</b>	<b>289,651</b>
<b>Derivative cash flows</b>						
Inflows from derivatives	-	114,574	1,123	883	-	116,580
Outflows from derivatives	-	(114,197)	(1,214)	(684)	-	(116,095)
<b>Total</b>	<b>-</b>	<b>377</b>	<b>(91)</b>	<b>199</b>	<b>-</b>	<b>485</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees inflows	-	-	85	27	-	112
Financial guarantees outflows	-	-	(36)	(7,213)	-	(7,249)
Commitments outflows	(190,265)	(1,045)	(2,805)	(6,145)	-	(200,260)
<b>Total</b>	<b>(190,265)</b>	<b>(1,045)</b>	<b>(2,756)</b>	<b>(13,331)</b>	<b>-</b>	<b>(207,397)</b>
<b>Net cash flows</b>	<b>(226,056)</b>	<b>1,070</b>	<b>46,366</b>	<b>10,325</b>	<b>251,034</b>	<b>82,739</b>

Note 15 – Liquidity Risk (continued)

Unaudited 30 September 2015	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
<b>Financial assets</b>						
Cash, cash equivalents and balances with central banks	47,110	-	-	-	-	47,110
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	31,011	-	-	-	31,011
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	147	268	2,861	3,620	6,896
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	-	56,393	81,256	92,288	161,940	391,877
Other financial assets	-	296	-	289	-	585
<b>Total financial assets</b>	<b>47,110</b>	<b>87,847</b>	<b>81,524</b>	<b>95,438</b>	<b>165,560</b>	<b>477,479</b>
<b>Financial liabilities</b>						
Due to other financial institutions	1	-	-	-	-	1
Amounts due to related parties	57,202	12,093	15,841	59,377	-	144,513
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	14,010	39,492	39,355	49,308	-	142,165
Certificates of deposit	-	-	-	-	-	-
Debt securities issued	-	822	1,281	52,926	-	55,029
Other financial liabilities	14	81	1,709	652	-	2,456
<b>Total financial liabilities</b>	<b>71,227</b>	<b>52,488</b>	<b>58,186</b>	<b>162,263</b>	<b>-</b>	<b>344,164</b>
<b>Net non-derivative cash flows</b>	<b>(24,117)</b>	<b>35,359</b>	<b>23,338</b>	<b>(66,825)</b>	<b>165,560</b>	<b>133,315</b>
<b>Derivative cash flows</b>						
Inflows from derivatives	10,895	21,746	67,572	3,138	43	103,394
Outflows from derivatives	(11,000)	(21,149)	(67,612)	(2,233)	(62)	(102,056)
<b>Total</b>	<b>(105)</b>	<b>597</b>	<b>(40)</b>	<b>905</b>	<b>(19)</b>	<b>1,338</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees inflows	-	-	49	50	-	99
Financial guarantees outflows	-	-	-	(4,974)	(139)	(5,113)
Commitments outflows	(13,132)	(1,266)	(3,230)	(9,995)	-	(27,623)
<b>Total</b>	<b>(13,132)</b>	<b>(1,266)</b>	<b>(3,181)</b>	<b>(14,919)</b>	<b>(139)</b>	<b>(32,637)</b>
<b>Net cash flows</b>	<b>(37,354)</b>	<b>(34,690)</b>	<b>20,117</b>	<b>(80,839)</b>	<b>165,402</b>	<b>102,016</b>

## Note 15 – Liquidity Risk (continued)

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

## Note 16 – Capital Adequacy

### (a) Issued Capital

The Bank had 145,459,975 fully paid up ordinary shares (tier one capital) issued at NZ \$1 per share as at 30 September 2016.

A further capital injection of NZ\$85,082K was received from ICBC on 5th July 2016 and subsequently additional shares were issued making the total share capital NZ\$145,460K. (30 September 2015: NZ\$60,378K, 31 December 2015: NZ\$60,378K).

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

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

### (b) Other Classes of Capital Instrument

The Bank does not have any other classes of capital instrument in its capital structure.

## Note 16 – Capital Adequacy (continued)

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

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

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios as at 30 September 2016, 30 September 2015, and 31 December 2015. The Bank has complied with both regulatory and internal capital adequacy requirements.

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

### (c) Tier one and two Capital

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Unaudited 31 December 2015
<b>Tier one capital</b>			
<b>Common Equity Tier one capital</b>			
Issued and fully paid up share capital	145,460	60,378	60,378
Retained earnings	(4,024)	(3,206)	(6,118)
Accumulated other comprehensive income and other disclosed reserves	-	-	-
Interest from issue of ordinary shares	-	-	-
<b>Less:</b>	-	-	-
Goodwill and other intangible assets	(1)	(5)	(4)
Regulatory adjustments	-	-	-
Deferred tax assets	-	-	-
<b>Total common equity tier one capital</b>	<b>141,435</b>	<b>57,167</b>	<b>54,256</b>
<b>Additional Tier one capital</b>			
High-quality capital	-	-	-
Instruments issued	-	-	-
Share premium from issue of instruments	-	-	-
Associated retained earnings	-	-	-
<b>Less: Regulatory adjustments</b>	-	-	-
<b>Total additional tier one capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total tier one capital</b>	<b>141,435</b>	<b>57,167</b>	<b>54,256</b>
<b>Tier two capital</b>			
Instruments issued by bank	-	-	-
Share premium from issue of instruments	-	-	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	-	-	-
<b>Less: Regulatory adjustments</b>	-	-	-
<b>Total tier two capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>141,435</b>	<b>57,167</b>	<b>54,256</b>

Note 16 – Capital Adequacy (continued)

(d) Credit Risk

Unaudited 30 September 2016	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of on-balance-sheet exposures	\$'000	%	\$'000	\$'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	38,943	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	35,122	20%	7,024	562
Banks rating grade 1	18,501	20%	3,700	296
Banks rating grade 2 (≤3 months)	16,373	20%	3,275	262
Banks rating grade 2 (>3 months)	16,738	50%	8,369	670
Banks rating grade 3 (≤3 months)	-	-	-	-
Banks rating grade 3 (>3 months)	-	-	-	-
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	8,492	20%	1,699	136
Banks unrated (>3 months)	18,256	50%	9,128	730
Corporate-without recognised mitigation	268,182	100%	268,182	21,455
Corporate-secured by collateral	112,516	20%	22,503	1,800
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	94,429	35%	33,050	2,644
Residential mortgages (investment) not past due -LVR up to 80%.	76,351	40%	30,540	2,443
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	4,292	100%	4,292	343
<b>Total on balance sheet exposures after credit risk mitigation</b>	<b>708,195</b>	<b>-</b>	<b>391,762</b>	<b>31,341</b>

Note 16 – Capital Adequacy (continued)

Unaudited 30 September 2016	Total exposure	Credit Conversion Factor	Credit equivalent amount	Average Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of off-balance-sheet exposures	\$'000	%	\$'000	%	\$'000	\$'000
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	7,249	50%	3,624	100%	3,624	290
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	197,186	50%	98,593	100%	98,593	7,888
Other commitments where original maturity is less than or equal to one year	3,074	20%	615	100%	615	49
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
<b>Market related contracts</b>						
(a) Foreign exchange contracts	113,866	1%	1,139	100%	1,139	91
(b) Interest rate contracts (exposure less than 1 year)	49,463	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	30,200	0.50%	151	100%	151	12
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
<b>Total off-balance sheet exposures</b>	<b>401,038</b>	<b>-</b>	<b>104,122</b>	<b>-</b>	<b>104,122</b>	<b>8,330</b>

Note 16 – Capital Adequacy (continued)

Unaudited 30 September 2015	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of on-balance-sheet exposures	\$'000	%	\$'000	\$'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	31,427	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	2,220	20%	444	36
Banks rating grade 1	28,741	20%	5,748	460
Banks rating grade 2 (≤3 months)	24,573	20%	4,915	393
Banks rating grade 2 (>3 months)	-	-	-	-
Banks rating grade 3 (≤3 months)	-	-	-	-
Banks rating grade 3 (>3 months)	-	-	-	-
Banks rating grade 4 (≤3 months)	2,547	50%	1,274	102
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	36,114	20%	7,223	578
Banks unrated (>3 months)	-	-	-	-
Corporate-without recognised mitigation	74,206	100%	74,206	5,936
Corporate-secured by collateral	79,076	20%	15,815	1,265
Corporate-guaranteed	17,661	100%	17,661	1,413
Residential mortgages (owner occupied) not past due -LVR up to 80%.	49,655	35%	17,379	1,390
Residential mortgages (investment) not past due -LVR up to 80%.	41,399	35%	14,490	1,160
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	5,825	100%	5,825	466
<b>Total on balance sheet exposures after credit risk mitigation</b>	<b>393,444</b>	<b>-</b>	<b>164,980</b>	<b>13,199</b>

Note 16 – Capital Adequacy (continued)

Unaudited 30 September 2015	Total exposure	Credit Conversion Factor	Credit equivalent amount	Average Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of off-balance-sheet exposures	\$'000	%	\$'000	%	\$'000	\$'000
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	5,113	50%	2,557	100%	2,557	205
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	15,632	50%	7,816	100%	7,816	625
Other commitments where original maturity is less than or equal to one year	11,991	20%	2,398	100%	2,398	192
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
<b>Market related contracts</b>						
(a) Foreign exchange contracts	97,927	1%	979	100%	979	78
(b) Interest rate contracts (exposure less than 1 year)	-	-	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	135,472	0.50%	677	100%	677	54
Interest rate contracts (exposure more than 5 years)	2,000	1.50%	30	100%	30	2
(c) Other - OTC, etc.	-	-	-	-	-	-
<b>Total off-balance sheet exposures</b>	<b>268,135</b>	<b>-</b>	<b>14,457</b>	<b>-</b>	<b>14,457</b>	<b>1,156</b>



Note 16 – Capital Adequacy (continued)

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

Note 16 – Capital Adequacy (continued)

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

**Credit Risk Mitigation**

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

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

**Unaudited 30 September 2016**

Thousands of dollars

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

**Unaudited 30 September 2015**

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	91,054	-	-	91,054

Note 16 – Capital Adequacy (continued)

**Unaudited 31 December 2015**

Thousands of dollars

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

**(f) Reconciliation of residential mortgage-related amounts**

Thousands of dollars	Unaudited 30 September 2016	Unaudited 30 September 2015	Unaudited 31 December 2015
Residential mortgage loans (as disclosed in Note 5)	171,079	91,054	102,410
Reconciling Items:			
Provisions for impairment losses on loans and advances	(299)	(159)	(179)
Residential mortgages by loan-to-valuation ratio	170,780	90,895	102,231

**(g) Credit risk mitigation**

**Unaudited 30 September 2016**

Thousands of dollars	Total value of on-and-off- balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off- balance sheet exposures covered by guarantees or credit derivatives
<b>Exposure Class</b>		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	112,516	-
Residential mortgage	-	-
Other	-	-
<b>Total</b>	<b>112,516</b>	<b>-</b>

**Unaudited 30 September 2015**

Thousands of dollars	Total value of on-and-off- balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off- balance sheet exposures covered by guarantees or credit derivatives
<b>Exposure Class</b>		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	79,076	17,661
Residential mortgage	-	-
Other	-	-
<b>Total</b>	<b>79,076</b>	<b>17,661</b>

Note 16 – Capital Adequacy (continued)

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

(h) Operational risk capital requirement

Unaudited 30 September 2016	Implied risk weighted exposure	Total operational risk capital requirement
Thousands of dollars		
Operational risk	74,413	5,953

Unaudited 30 September 2015	Implied risk weighted exposure	Total operational risk capital requirement
Thousands of dollars		
Operational risk	8,025	642

Unaudited 31 December 2015	Implied risk weighted exposure	Total operational risk capital requirement
Thousands of dollars		
Operational risk	34,200	2,736

(i) Market Risk

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

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

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

Note 16 – Capital Adequacy (continued)

Unaudited 30 September 2015	End-period capital charges		Peak end-to-day capital charges	
	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Thousands of dollars				
Interest rate risk	15,638	1,251	20,450	1,636
Foreign currency risk	763	61	9,600	768
Equity risk	-	-	-	-
<b>Total capital requirements</b>	<b>16,401</b>	<b>1,312</b>	<b>30,050</b>	<b>2,404</b>

Unaudited 30 September 2015			
	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Thousands of dollars			
Total credit risk + equity	661,579	179,437	14,355
Operational risk	-	8,025	642
Market risk	-	16,401	1,312
<b>Total</b>	<b>661,579</b>	<b>203,863</b>	<b>16,309</b>

Unaudited 31 December 2015	End-period capital charges		Peak end-to-day capital charges	
	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Thousands of dollars				
Interest rate risk	25,025	2,002	49,800	3,984
Foreign currency risk	600	48	4,263	341
Equity risk	-	-	-	-
<b>Total capital requirements</b>	<b>25,625</b>	<b>2,050</b>	<b>54,063</b>	<b>4,325</b>

Unaudited 31 December 2015			
	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Thousands of dollars			
Total credit risk + equity	1,295,928	367,716	29,417
Operational risk	-	34,200	2,736
Market risk	-	25,625	2,050
<b>Total</b>	<b>1,295,928</b>	<b>427,541</b>	<b>34,203</b>

Capital ratios

Regulatory Capital Ratios	Regulatory Minimum	Unaudited 30 September 2016	Unaudited 30 September 2015	Unaudited 31 December 2015
Common Equity Tier 1 Capital Ratio	4.50%	22.81%	28.04%	12.69%
Tier 1 Capital Ratio	6.00%	22.81%	28.04%	12.69%
Total Qualifying Capital Ratio	8.00%	22.81%	28.04%	12.69%
RBNZ required Buffer Ratio	2.50%	14.81%	20.04%	4.69%

(j) Capital for Other Material Risks

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements, namely strategic risk, reputational risk and start-up business risk. Noting this, the Bank has set additional buffer at 2% (30 September 2015: 2%, 31 December 2015: 2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment.

## Note 16 – Capital Adequacy (continued)

### (k) Capital adequacy of Ultimate Parent Bank

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

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

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBRC as at 30 September 2016, the latest reporting date.

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

	Unaudited 30 September 2016	Unaudited 30 September 2015	Unaudited 31 December 2015
<b>Ultimate Parent Bank Group</b>			
Common Equity Tier 1 Capital Ratio	12.58%	12.41%	12.87%
Tier 1 Capital Ratio	13.13%	12.67%	13.48%
Total Capital Ratio	14.18%	14.43%	15.22%
<b>Ultimate Parent Bank</b>			
Common Equity Tier 1 Capital Ratio	12.57%	12.42%	12.88%
Tier 1 Capital Ratio	13.16%	12.70%	13.53%
Total Qualifying Capital Ratio	14.24%	14.44%	15.32%

## Note 17 - Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the Bank has become exposed since 31 December 2015.

## Note 18 - Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date the Bank was not involved in:

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