Disclosure Statement

ICBC New Zealand Limited

First disclosure statement for the period ended 30 September 2013

Contents

This is the first Disclosure Statement of the ICBC New Zealand Limited ("ICBC NZ") for the period ended 30 September 2013 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No.2) 2013 (the "Order").

The financial statements of ICBC NZ for the period ended 30 September 2013 form part of and should be read in conjunction with this Disclosure Statement.

This Disclosure statement is available on the registered bank's website at www.icbcnz.com. In addition, any person can request a hard copy of the registered bank's Disclosure Statements 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.

In this Disclosure Statement,

"ICBC NZ", the "Bank", the "Registered Bank" means ICBC New Zealand Limited, incorporated in New Zealand;

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

"ICBC", the "Ultimate Parent Bank", the "Ultimate Holding Bank", the "Controlling Bank" means the Industrial and Commercial Bank of China Limited, incorporated in China;

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

"Board" means the board of directors of the Bank;

Unless otherwise stated in this Disclosure Statement, words and terms defined in the Order have the same meaning in this document.

1. General Information

1.1 Name and address for service of registered bank

(a) The full name of the Bank is ICBC New Zealand Limited and its registered address with the Companies Office is:

ICBC New Zealand Limited

Ernst & Young Building, 2 Takutai Square,

Britomart, Auckland 1010,

New Zealand

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

1.2 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 bank

ICBC is the ultimate holding company of the Bank.

Shareholding in ICBC

As at 30 June 2013, 70.8% of total shares in ICBC are owned by the Chinese government. The remaining 29.2% 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

Annual Report of ICBC

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

(c) 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.

1.3 Interests in 5% or more of voting securities of registered bank

The Bank is a wholly-owned subsidiary of ICBC.

2. Subordination of Claims of Creditor

2.1 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.

3. Guarantees

3.1 Guarantee arrangements

As at the date of this disclosure statement, the bank is fully guaranteed by ICBC.

A copy of the guarantee arrangement between the bank and ICBC is attached.

3.2 Details of the guarantor (Parent)

(a) The guarantor is ICBC. ICBC is the Bank's ultimate parent 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 June 2013, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 1,456,548 million (per 30 June 2013 interim financials – unaudited) (NZD 287,289.06 million), representing 13.11% of risk weighted exposure.

(b) Credit Rating

ICBC “The ultimate Parent Bank” 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**
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)
Short-term Foreign Currency Bank Deposits Rating	P-1 (Superior ability to repay short-term debt)	A-1 (susceptible to adverse economic condition but satisfactory capacity to meet obligations)
Outlook	Stable	Stable

(c) Rating movement history

No rating movement history in the last 2 years.

3.3 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.

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

(ii) There are no material conditions applicable to the guarantee, other than non-performance by the Bank.

(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.

4. Directors

4.1 Communications

The address to which any documents or communication may be sent to any director is:

ICBC New Zealand Limited

Ernst & Young Building, 2 Takutai Square, Britomart,

Auckland 1010, New Zealand

4.2 Responsible person

Jun Jing, Executive Director

The responsible person authorised to sign this disclosure statement on behalf of the Directors in accordance to section 82 of the Act is Jun Jing.

4.3 Directors' details

The bank has the following Directors:

- Donald Thomas Brash, Chairman, Independent director
- Martin Philipsen, Independent Director
- John Dalzell, Independent Director
- Jun Jing, Executive Director
- Hongbin Liu, Non-executive Director

Donald Thomas Brash, Martin Philipsen and John Dalzell are independent directors who are not employees of the ICBC (New Zealand) Limited or of any other entity able to control or significantly influence the Registered Bank.

Country of Residence, Qualifications and other directorship:

Name of Director	Country of Residence	Qualifications	Details of other directorships
Donald Thomas Brash	New Zealand	Ph.D. in Economics	Brash Consultancy Services Limited Brash Forestry Limited Troika Books Limited Eljean's Orchard Limited Troika Family Trust Nominees Limited
Martin Philipsen	New Zealand	BCA, C.A., C.M.A	Fundit Holdings Limited Te Toroa Limited Philipsen Consulting Limited
John Dalzell	New Zealand	Bachelor of Property Administration Registered Valuer	Ursus Holdings Limited Bare Essentials Limited Dalzell Family Trust Limited
Jun Jing	PR China	Ph. D. in Accounting	Nil
Hongbin Liu	PR China	M. A, Master of Applied Finance	Nil

The directors, their immediate relatives or close business associates have not entered into any transaction with the Registered Bank or any member of the banking group that are on terms other than those which would be given to any other person in the ordinary course of business of the registered bank or any member of the banking group or which could otherwise be reasonably likely to materially influence the exercise of the directors' duties.

4.4 Audit Committee

The Bank has an Audit Committee.

The members of the Audit Committee as at the date of this disclosure statement are:

- Martin Philipsen, Chair, Independent Director
- John Dalzell, Independent Director
- Donald Thomas Brash, Independent Director

4.5 Conflicts of Interest Policy

It is expected that directors will be sensitive to conflicts of interest that may arise. Directors must:

Disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist as soon as the situation arises.

If required by the Board, take steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period.

The Board will determine whether or not the director declaring a conflict should remain in the room when the Board discusses matters about which the conflict relates.

5. Auditor

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

KPMG

KPMG Centre

18 Viaduct Harbour Avenue

Auckland 1140

New Zealand

6. Conditions of Registration

These conditions of registration apply on and after 19 November 2013, except as provided otherwise. The registration of ICBC New Zealand Limited (“the bank”) as a registered bank is subject to the following conditions:

1. That –
    1) the Total capital ratio of the banking group is not less than 8 percent;
    2) the Tier 1 capital ratio of the banking group is not less than 6 percent;
    3) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5 percent;
    4) the total capital of the banking group is not less than $30 million; and
    5) the process in Subpart 2H of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated September 2013 is followed for the recognition and repayment of capital.

For the purposes of this condition of registration, capital, the Total capital ratio, the Tier 1 capital ratio, and the Common Equity Tier 1 capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated September 2013.

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 September 2013; 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 September 2013.

This condition of registration applies on and after 1 January 2014.

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 registered bank (S&P/Fitch & Moody's)	**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 percent of the banking group's tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated September 2013.

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 registered bank complies with the following corporate governance requirements:

(a) the board of the registered 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 registered bank must be ordinarily resident in New Zealand;

(f) the chairperson of the board of the registered bank must be independent; and

(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 registered 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 March 2011.

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 registered 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 registered 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 registered 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 registered 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 registered 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 March 2011.

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 March 2011 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 registered 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 registered 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 registered 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 registered 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 registered 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 registered 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 registered bank's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80%, exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.

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

17. That the bank must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.

18. That the bank must not provide a residential mortgage loan if the residential property to be mortgaged to the registered bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed [80%] of the property value when the residential mortgage loan is drawn down.

19. That the bank must not act as broker or arrange for a member of its banking group to provide a residential mortgage loan.

In conditions of registration 15 to 19,—

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" 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 September 2013.

"loan-to-valuation measurement period" means—

(a) the period starting on 19 November 2013 and ending on the last day of April 2014; and

(b) thereafter 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 May 2014.

In these conditions of registration,—

"banking group" means ICBC New Zealand Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993):

"generally accepted accounting practice" has the same meaning as in section 2 of the Financial Reporting Act 1993.

7. Pending Proceedings or Arbitration

As at the date of this disclosure statement, there are no pending proceedings, 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.

8. Credit Ratings

ICBC NZ Rating Information

The credit rating of the Bank is as follows:

Rating Agency/Rating Results	**Standard & Poor's Ratings Services**
Long-term Foreign Currency Bank Deposits	A (Strong Capacity to meet obligation but

Rating	subject to adverse economic conditions)
Short-term Foreign Currency Bank Deposits Rating	A-1 (susceptible to adverse economic condition but satisfactory capacity to meet obligations)
Outlook	Stable

Rating Information

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

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

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

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

9. Historical Summary Financial Statements

As the Bank has not commenced operations prior to the date of this first disclosure statement, there are no historical financial statements for the registered bank's banking group for each of the 5 most recent consecutive full year accounting periods other than those attached for the period ended 30 September 2013.

10. Insurance

The Bank does not conduct insurance businesses.

11. 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 adversely affect the decision of a person to subscribe for debt securities of which the Registered Bank or any members of the Banking Group are the issuer.

12. Banking Group

At the date of the Disclosure Statement, the Bank does not have any subsidiaries and is the only member of the Banking Group.

13. 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 (No.2) 2013 ("the Order"); and

(b) The Disclosure Statement is not false or misleading.

2. At the date of registration:

(a) The Registered Bank complied with all conditions of the registration;

(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 19 November 2013 and has been signed by Jun Jing as responsible person for and on behalf of all the Directors (by Directors' resolution):

(Signature)
Jun Jing
Executive Director

14. Supplementary disclosure per RBNZ Registered Bank Disclosure Statements

The financial statements for the Bank for the period ended 30 September 2013 are attached as Appendix 2 to, and form part of, this disclosure statement. The supplementary information required by Schedules 2, 4, 7, 9, 13 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated registered Banks) Order (No.2) 2013 ("the Order") is set out in either those financial statements and/or in other parts of this Disclosure Statement.

15. Independent Auditor's Report

The independent auditor's report on this disclosure statement is attached with the financial statements for the Bank in Appendix 2 to this disclosure statement. The information required by Schedule 1 of the Order is included in the independent auditor's report.

16. Appendix 1 —— Deed of Guarantee

Dated 2 September. 2013

DEED OF GUARANTEE

By

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

In respect of the obligations of

ICBC NEW ZEALAND LIMITED

This is a true and certified copy of the original

(Solicitor, Auckland)

CONTENTS

THIS DEED is made on 2 September 2013

BY

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

AND

(2) **ICBC NEW ZEALAND LIMITED** a Company incorporated in New Zealand having its registered office at C/ Ernest & Yong, Ernest & Yong Building, 2 Takutai Square, Britomart, Auckland, New Zealand (hereinafter referred to as "**ICBC NZ**")

IN FAVOUR OF

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

WHEREAS :

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

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

1. DEFINITIONS AND INTERPRETATION

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

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

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

"**Creditor**" means each and any Person to whom an Obligation is due and owed by ICBC NZ during the validity period of this Guarantee.

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

"**Obligation**" means a legally enforceable, undisputed liability or obligation of ICBC NZ to a Creditor ranking at least pari passu with the claims of unsecured creditors of ICBC NZ. PROVIDED THAT "Obligation" shall not include:

(a) any liability of ICBC NZ in respect of special, exemplary or punitive damages; and/or

(b) any liability for payment of taxes, rates, imposts, duties or similar government charges; and/or

(c) any claim/liability/obligation which is subject to a bona fide dispute; and/or

(d) any obligation in respect of which the Creditor has not submitted proper proof and other documents and security, to enable ICBC NZ to discharge the said obligations; and/or

(e) any claim/obligation in respect of a contingent liability; and/or

(f) any claim/liability which is barred by the law of limitation or such similar laws.

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

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

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

2. GUARANTEE

2.1 The Bank hereby unconditionally guarantees for the benefit of each Creditor the due and punctual payment by ICBC NZ of each and every Obligation (whether at stated maturity or upon acceleration) now owing or to become owing by ICBC NZ to the Creditor during the term of the Guarantee to the intent that should ICBC NZ default in the due and punctual payment of any such Obligation, the Bank shall, upon written demand by the relevant Creditor under clause 3.2, forthwith pay or cause to be paid to the Creditor all amounts then due and unpaid with respect to such Obligation together with all costs and expenses incurred by the Creditor in enforcing the Guarantee.

2.2 The Guarantee is a continuing guarantee and shall not be considered as satisfied by any intermediate payment and shall remain in force until the termination or expiry of the Guarantee.

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

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

2.5 The Bank shall be liable only for payment of an Obligation in the manner, to the extent and up to the amount that ICBC NZ would be liable or permitted to make payment in satisfaction of such Obligation under applicable laws and regulations and in determining and making such payment the Bank shall be entitled to deduct the amounts (if any) which the Bank is entitled in law or in equity to set-off or counterclaim against the Creditor to whom that Obligation is owed and the amounts (if any) which ICBC NZ could have set-off or counterclaimed in law or in equity against the Creditor to whom such Obligation is owed if ICBC NZ were making payment to that Creditor in lieu of the Bank. Nothing contained in this Deed shall reduce the liability of the Bank with respect to any Obligation of ICBC NZ which is reduced or discharged by reason of the insolvency, administration, liquidation, receivership or reorganisation of ICBC NZ.

3. DEMAND AND PAYMENT

3.1 A Creditor shall be entitled to make a demand under this Deed if and only if:

(a) the Creditor has served written demand (a "**Primary Demand**") on ICBC NZ with proper proof for the payment of an Obligation which remains unpaid beyond its due date;

(b) the Creditor has complied with the requirements of ICBC NZ including with regard to documentation and security and the Primary Demand remains unsatisfied in whole or in part for a period of 5 Business Days after submission of necessary Primary Demand;

3.2 A demand by a Creditor under this Deed (a "**Creditors Demand**") shall be served on the Bank and shall be accompanied by a statutory declaration made by the Creditor or by an Authorised Officer of the Creditor stating:

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

(b) that ICBC NZ has failed to meet an Obligation;

(c) that a Primary Demand in respect of that Obligation has been given to ICBC NZ (accompanied by a verified copy of that Primary Demand) and that such Primary Demand has remained unsatisfied for a period of 5 Business Days as stated in 3.1(b);

(d) brief particulars of the nature of that Obligation (accompanied by a verified copy of any document giving rise to that Obligation);

(e) that the Obligation ranks at least pari passu with the claims of unsecured creditors of ICBC NZ generally;

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

(g) that there is no bona fide dispute relating to that Obligation.

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

4. PAYMENTS

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

4.2 Payments hereunder shall be made free and clear of any deduction or withholdings. In the event that the Bank is prohibited by law from making payments hereunder free of deductions or withholdings, then the Bank shall pay such additional amount to the relevant Creditor as may be necessary in order that the actual amount received after all applicable deductions and withholdings shall equal the amount that would have been received if such deductions or withholdings were not required.

5. REPRESENTATIONS

5.1 The Bank represents and warrants that:

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

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

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

6. TERMINATION OF GUARANTEE

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

(a) in respect of all Obligations if:

(i) any substantial asset of ICBC NZ; or

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

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

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

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

6.2 Immediately after the Bank becomes aware of the termination of the Guarantee pursuant to clause 6.1, the Bank shall notify ICBC NZ thereof and give notice of such termination by an advertisement in a newspaper circulating generally throughout New Zealand.

7. SUBROGATION

7.1 The Bank and ICBC NZ expressly agree that the Bank is and shall be entitled to all the rights and remedies of a guarantor under law including, without limiting the generality of the foregoing, all rights of subrogation which shall accrue to the Bank by virtue of any payment hereunder by the Bank to or for the benefit of any Creditor and, subject to the law, the Bank shall be entitled to claim the benefit of and participate in any security now or hereafter held by that Creditor from ICBC NZ either in whole or upon a pro-rata basis, as the case may be, where the Bank has paid all moneys to or for the benefit of that Creditor under this Deed. Notwithstanding the generality of the foregoing, the Bank shall not exercise or seek to enforce any claim against ICBC NZ (whether or not in liquidation) for reimbursement to the Bank of any moneys paid pursuant to this Deed by the Bank to a Creditor in respect of an Obligation until the default of ICBC NZ in respect of that Obligation has been fully remedied by ICBC NZ or the Bank.

8. DEALINGS BETWEEN THE BANK AND THE CREDITORS

8.1 After receipt of a written demand from a Creditor under clause 3.2 the Bank and that Creditor shall deal with one another as principal in relation to all matters under or in relation to this Deed, the Guarantee and ICBC NZ.

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

9. NOTICES

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

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

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

Attention:

to ICBC NZ
ICBC New Zealand Limited
C/ Ernest & Yong, Ernest & Yong Building, 2 Takutai Square, Britomart, Auckland, New Zealand

Attention: Managing Director

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

10. AMENDMENT

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

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

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

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

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

11. GOVERNING LAW

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

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

12. ASSIGNMENT

12.1 No party to this Deed may assign its rights or obligations hereunder without the consent in writing of the other party.

13. CERTIFICATE

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

EXECUTED as a Deed

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

姜建清

Chairman

EXECUTED as a **DEED** for and on behalf of **ICBC NEW ZEALAND LIMITED**

in the presence of:

PETER GARY OWLES
SOLICITOR
AUCKLAND

17. Appendix 2 -- Financial Statements

ICBC New Zealand Limited

Financial Statements for the period ended 30 September 2013

Contents

Independent auditor’s report

To the Shareholder of ICBC New Zealand Limited

Report on the bank first disclosure statement

We have audited the accompanying financial statements and supplementary information of ICBC New Zealand Limited (“the bank”) on pages 30 to 88 of the first disclosure statement. The financial statements comprise the statement of financial position as at 30 September 2013, the statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information of the bank. The supplementary information comprises the information that is required to be disclosed under the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No.2) 2013 (the “Order”).

Directors' responsibility for the first disclosure statement

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

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

Auditor’s responsibility

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

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

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

Our firm has provided other services to bank in relation to general advisory services. Partners and employees of our firm may also deal with the bank on normal terms within the ordinary course of trading activities of the business of the bank. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the bank. These matters have not impaired our independence as auditors of the bank. The firm has no other relationship with, or interest in, the bank.

Opinion on financial statements

In our opinion the financial statements of ICBC New Zealand Limited (“the bank) on pages 30 to 88:

- complies with generally accepted accounting practice in New Zealand; and
- gives a true and fair view of the financial position as at 30 September 2013 and of its financial performance and cash flows for the period ended on that date.

Opinion on supplementary information

In our opinion, the supplementary information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order, and is included on page 32 and within notes 27, 29, 30, 35, 36 and 37 of the first disclosure statement:

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

Report on capital adequacy information

We have reviewed the capital adequacy information, as disclosed in note 38 of the first disclosure statement for the period ended 30 September 2013.

Directors' responsibility for the capital adequacy information

The directors are responsible for the preparation of supplementary information relating to capital adequacy that is required to be disclosed under Schedule 9 of the Order.

Auditor's responsibility

Our responsibility is to express an opinion on the capital adequacy information based on our review. We conducted our review in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. Those standards require that we comply with ethical requirements and plan and perform the review to obtain limited assurance about whether the capital adequacy information is, in all material respects:

- prepared in accordance with the bank's conditions of registration; and
- disclosed in accordance with Schedule 9 of the Order.

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

Opinion

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

- prepared in accordance with the bank's conditions of registration; and
- disclosed in accordance with Schedule 9 of the Order.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, and clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

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

KPMG

Auckland

19 November 2013

STATEMENT OF COMPREHENSIVE INCOME For the period ended 30 September 2013	Notes Ref.	2013 $'000
Interest Income	2	2
Interest Expense	2	(1)
Net Interest Income		1
Net gains/(losses) on financial instruments at fair value through profit or loss	3	-
Other Income (including Fees and commission)	4	-
Total operating income		1
Operating expenses	5	(127)
Impairment losses on loans and advances	6	-
Net profit/(loss) before taxation		(126)
Taxation (expense)/ benefit	7	-
Net profit/(loss) for the period		(126)
Net change in available-for sale reserve (net of tax)		-
Net change in cash-flow hedge reserve (net of tax)		-
Foreign currency translation reserve		-
Total other comprehensive income		-
Total comprehensive income		(126)

The accompanying notes 1-38 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY	Notes Ref.	Share Capital $'000	Retained Earnings $'000	Total $'000
Contributed share capital	26	60,378	-	60,378
Profit/(loss) for the year		-	(126)	(126)
Total comprehensive income for the year		60,378	(126)	60,252
Balance at 30 September 2013	26	60,378	(126)	60,252

The accompanying notes 1-38 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION		2013
As at 30 September 2013	**Notes Ref.**	**$'000**
Assets		
Cash, cash equivalents and balances with central banks	9	60,379
Balances due from related parties	20	-
Due from banks and other financial institutions	10	-
Financial assets designated at fair value through profit or loss	14	-
Financial assets held for trading	14	-
Available-for-sale assets	12	-
Derivative Financial Assets	14	-
Reverse repurchase agreements	25	-
Loans and advances to customers	13	-
Property, plant and equipment	16	25
Intangible assets	17	-
Current taxation	8	-
Deferred tax assets	8	-
Other assets	18	322
Total assets		60,726
Liabilities		
Due to central banks, banks and other financial institutions	19	-
Balances due to related parties	20	347
Derivative Financial Liabilities	14	-
Reverse repurchase Agreements	25	-
Deposits and other borrowings	21	-
Certificates of Deposit	11	
Debt securities issued	22	-
Deferred tax liabilities	8	-
Other liabilities	23	127
Total liabilities		474
Shareholder's equity		
Share capital	26	60,378
Reserves	26	(126)
Total shareholder's equity		60,252
Total shareholder's equity and liabilities		60,726
Total interest and discount bearing assets	29	60,701
Total interest and discount bearing liability	30	321

These financial statements were approved by the directors on **19 November 2013** and are signed on their behalf by:

Jun Jing
Executive Director

The accompanying notes 1-38 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS For the period ended 30 September 2013	Notes Ref.	2013 $'000
Cash flows from operating activities		
Interest received		2
Fees and other income		-
Operating expenses paid		-
Interest paid		(1)
Taxes paid		-
Net cash flows from operating activities before changes in operating assets and liabilities		1
Net changes in operating assets and liabilities:		
(Increase)/decrease in financial assets held for trading		-
Decrease/(increase) in available-for-sale-assets		-
Increase/ (Decrease) in loans and advances		-
Decrease/(increase) in balances due from other financial institutions		-
Increase / (Decrease) in deposits and other borrowings		-
(Decrease)/increase in balances due to related parties		-
Increase/ (Decrease) in balances due to financial institutions		-
(Increase) / Decrease in other assets		-
Increase/(decrease) in other liabilities and provisions		-
Decrease/(increase) in balances due from related parties		-
Increase / (Decrease) in certificates of deposit		-
Net cash flows from operating activities		1
Cash flows from investing activities		
Purchase of property, plant and equipment		-
Purchase of intangible software assets		-
Purchase of customer relationships		-
Net cash flows from investing activities		-
Cash flows from financing activities		
Issue of shares		60,378
Capital injection from shareholders		-
Proceeds from term subordinated debt		-
Proceeds from related parties		-
Increase in debt securities issued		-
Dividends paid		-
Net cash flows from financing activities		60,378

STATEMENT OF CASH FLOWS (Cont.) For the period ended 30 September 2013	Notes Ref.	2013 $'000
(Decrease)/increase in cash and cash equivalents		60,379
Add opening cash and cash equivalents		-
Effect of exchange rate changes on cash and cash equivalents		-
Cash and cash equivalents		60,379
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net profit/(loss) after taxation		(126)
Non cash movements:		
Unrealised fair value adjustments		-
Depreciation		2
Amortisation of intangibles		-
Amortisation of financial instruments		-
Increase in collective allowance for impairment losses		-
Increase in individual allowance for impairment losses		-
(Increase)/decrease in deferred expenditure		-
Unsecured lending losses		-
Unrealised foreign exchange loss/(gain)		-
(Increase)/decrease in deferred taxation		-
Interest expense on debt securities issued		-
Increase in operating assets and liabilities		2
(Increase)/decrease in financial assets at fair value through profit or loss		-
Decrease/(increase) in available-for-sale assets		-
Increase in loans and advances		-
Decrease/(increase) in balances due from other financial institutions		-
Increase/ (Decrease) in deposits and other borrowings		-
Increase / (Decrease) in balances due to other financial institutions		-
(Decrease)/increase in other liabilities		127
(Decrease)/increase in balances due to related parties		320
Increase / (Decrease) in current taxation		-
Decrease/(increase) in other assets		(322)
Decrease/(increase) in balances due from related parties		-
Net cash flows from operating activities		1

1. STATEMENT OF ACCOUNTING POLICIES

(1) Reporting Entity

The reporting entity is ICBC New Zealand Limited (the "Bank"). The Bank does not prepare group financial statements as the bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements for the period ended 30 September 2013 are the first financial statements; therefore no comparatives figures are presented. These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No.2) 2013. They were approved for issue by the Directors on 19 November 2013. The address of the Bank's registered office is Ernst & Young Building, 2 Takutai Square, Britomart, Auckland 1010, New Zealand. The bank provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

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

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

(3) Presentation Currency

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

(4) Critical accounting estimates and judgements

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

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

The information about estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following accounting policies and notes:
-Taxation (Note 8).

1. STATEMENT OF ACCOUNTING POLICIES Continued

(5) Summary of significant accounting policies

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

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

Monetary assets and liabilities denominated in foreign currencies are re-translated into NZD at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

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

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

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

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

(d) Financial Assets

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

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

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

(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or
(iii) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

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

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

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

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

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

(ii) occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

(iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Impairment of Financial Assets

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

<u>Financial assets carried at amortised cost</u>

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

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

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

Financial assets carried at cost

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

Available-for-sale financial assets

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

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

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

(e) Financial Liabilities

Classification

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

(i) (a) Financial liabilities at fair value through profit or loss

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

(i) (b) Derivative Liabilities

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

(ii) Other financial liabilities

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

Due to other banks

This represents amounts due to other banks, apart from those designated as at fair value through profit or loss.

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

Subordinated Debt
Subordinated debt is recognised in the balance sheet including accrued interest as both components are subordinate to other liabilities. When fair value hedge accounting is applied to fixed rate subordinated debt, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

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

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

- The rights to receive cash flows from the asset have expired; or

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

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

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

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

(f) Derivative financial instruments and hedge accounting

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

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

Hedge Accounting

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

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

(i) Cash flow hedge accounting

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

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

(ii) Fair Value hedge accounting

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

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

(h) Asset quality

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

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

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

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

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

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

	Estimated Useful Life	**Estimated Residual Value**	**Annual Depreciation Rate**
Freehold buildings	20 years	5%	5%
Office equipment furniture and motor vehicles	5 years	20%	20%
Computers and other electronics	3 years	33.3%	33.3%
Leasehold improvements	Lesser of 5 years or the remaining term of the lease		

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

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

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

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

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

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

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

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

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

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

(l) Provisions

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

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

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

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

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

(o) Share capital

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

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

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

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

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

(s) Comparative Financial Statements
Given that these are the first financial statements of the bank, there are no comparative figures for prior period/year and there has been no restatement of prior year comparatives.

(t) Change in Accounting Policies
Given that this is the first year of operation by the bank and these are the first set of financial statements of the bank, there have been no changes to accounting policies in the period ended 30 September 2013.

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

(i) NZ IFRS 9 Financial Instruments: Classification and Measurement (Effective for periods on or after 1 January 2015)

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Bank will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

(ii) Amendments to NZ IAS 32: Presentation - Offsetting Financial Assets and Financial Liabilities - (Effective for periods on or after 1 January 2014)

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The bank is currently assessing the impact of the amendments on its financial position and performance.

Initial application of the above standards and interpretations relevant to the Bank is not expected to have any material impact on the financial report of the Bank.

2. INTEREST INCOME AND INTEREST EXPENSE

	2013 $'000
Interest Income	
Loans and advances	-
Government and local authority securities	-
From other financial institutions	-
Balances with related parties	-
Other securities	-
Cash and liquid assets	2
Income from impaired assets	-
Income from restructured assets	-
Total interest income	2
Within this balance, interest earned on restructured and impaired assets is:	
Interest expense	
Deposits by customers	-
Debt securities issued	-
Secured and unsecured borrowings	-
Balances with related parties	1
Total interest expense	1

3. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 $'000
Financial assets designated at fair value through profit or loss upon initial recognition	-
Derivative financial instruments held for trading	-
Financial liabilities designated at fair value through profit or loss upon initial recognition	-
Financial assets held for trading	-
Net ineffectiveness on qualifying cash flow hedges	-
Net ineffectiveness on qualifying fair value hedges	-
Cumulative gain/(loss) transferred from the available-for-sale reserve	-
Cumulative loss transferred from the cash flow hedge reserve	-
Total net gains/(losses) on financial instruments at fair value through profit or loss	-

4. OTHER INCOME

Other Income	**2013 $'000**
Banking and lending fee income	-
Net commissions revenue	-
Payment services fee income	-
Bad debts recovered	-
Net foreign exchange gains and commissions	-
Gain on sale of property, plant and equipment	-
Other revenue	-
Total Other Income	-

5. OPERATING EXPENSES

Operating expenses	**2013 $'000**
Auditor's remuneration:	
- Audit fees	15
- Taxation and other services	20
Tax advisory services	-
Donations	-
Directors' fees	-
Depreciation:	-
- Computer hardware	2
- Office equipment	-
- Furniture, fittings, and leasehold improvements	-
Amortisation of intangible assets	-
Employee benefits	-
- Wages and salaries	-
- KiwiSaver Contribution	-
- Other Employment-Related Expenses	-
Rental and lease costs	81
Loss on sale of property, plant and equipment	-
Other operating expenses	9
Total operating expenses	127

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

6. IMPAIRMENT ALLOWANCE

2013

Individually impaired assets	Other exposures excluding sovereigns and central banks $'000	Retail Mortgage Lending $'000	Corporate and institutional $'000	Total as at 30 September 2013 $'000
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-
Bad debts written off	-	-	-	-
Balance at the end of the year	-	-	-	-

Collective allowance for impairment losses	Other exposures excluding sovereigns and central banks $'000	Retail Mortgage Lending $'000	Corporate and institutional $'000	Total as at 30 September 2013 $'000
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-
Advances written off	-	-	-	-
Balance at the end of the year	-	-	-	-

7. TAXATION

	2013 $'000
Net profit/(loss) before taxation	(126)
Tax calculated at a tax rate of 28%	(35)
Prior period adjustment	-
Derecognition of tax losses	35
Tax losses utilised	-
Other permanent differences	-
Taxation charge as per the statement of comprehensive income	-
Represented by:	
Prior period adjustment	-
Current tax	-
Deferred tax	-
Taxation charge as per the statement of comprehensive income	-
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:	
Accelerated tax depreciation	-
Allowances for impairment losses	-
Other provisions	-
Tax effect of change in tax rate	-
Amortisation of intangibles	-
Recognised tax losses	-
Total temporary differences	-

The effective tax rate on the Bank's profit before tax has been calculated at 28%. Tax benefits not recognised in these financial statements amounted to **$35,000 at 30 September 2013**. These tax benefits are only available to the Bank if the income tax legislations requirements are met.

8. CURRENT AND DEFERRED TAXATION

	2013
Current income tax (payable)/receivable	**$'000**
Balance at beginning of the year	-
Prior period adjustment	-
Tax on profits/(losses) taken to reserves	-
Transfer from deferred tax	-
Tax return adjustments	-
Related party purchase of tax losses	-
Tax refunded	-
Balance at end of the year	-

Deferred tax	**$'000**
Balance at beginning of the year	-
Prior period adjustment	-
Temporary differences for the year	-
Tax on losses taken directly to reserves	-
Tax effect of change in tax rate	-
Credit to current tax	-
Balance at end of the year	-

Deferred tax assets	**$'000**
Cash flow hedges	-
Other provisions and accruals	-
Other temporary differences	-
Allowance for loan impairment	-
Total assets	-

Deferred tax liabilities	**$'000**
Accelerated tax depreciation	-
Net commissions receivable	-
Intangible assets	-
Total liabilities	-
Net deferred taxation	-
Recoverable within twelve months	-
Recoverable after twelve months	-

9. CASH, CASH EQUIVALENTS AND BALANCES WITH CENTRAL BANKS

	2013 $'000
Cash on hand	-
Cash with central banks	-
Call and overnight advances to financial institutions	60,379
Total cash and cash equivalents	60,379

10. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 $'000
NZ Registered Banks	-
Overseas Registered Banks	-
Other	-
Total amount due from other financial institutions	-
Current	-
Non-Current	-

11. CERTIFICATE OF DEPOSITS

Certificates of deposits (CDs) are mainly issued by the Bank in New Zealand and are recognised at amortised cost. There are nil CDs for the period ended 30 September 2013.

12. AVAILABLE FOR SALE ASSETS

	2013 $'000
Government stock and multilateral development banks	-
Local authority securities	-
Other debt securities	-
Total available-for-sale assets	-
Current	-
Non-Current	-

13. LOANS AND ADVANCES TO CUSTOMERS

	2013 $'000
Residential mortgage loans	-
Corporate exposures	-
Syndicated Loans	-
Retail Loans	-
Other exposures	-
Allowance for impairment losses	-
Total net loans and receivables	-
Current	-
Non-Current	-

14. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT/LOSS, FINANCIAL ASSETS HELD FOR TRADING AND DERIVATIVE FINANCIAL INSTRUMENTS

(A) FINANCIAL ASSSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT/LOSS

	2013 $'000
Debt Securities - Listed	-
Debt Securities - Unlisted	-
Equity Investments - Listed	-
Equity Investments - Unlisted	-
Total	-

(B) FINANCIAL ASSETS HELD FOR TRADING

	2013 $'000
Debt Securities - Listed	-
Debt Securities - Unlisted	-
Equity Investments - Listed	-
Equity Investments - Unlisted	-
Total	-

14. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT/LOSS, FINANCIAL ASSETS HELD FOR TRADING AND DERIVATIVE FINANCIAL INSTRUMENTS continued

(C) DERIVATIVE FINANCIAL INSTRUMENTS

2013	Notional Principal Amount $'000	Fair values $'000	
		Assets	Liabilities
Forward exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	-	-	-
- Option Contracts	-	-	-
Total Foreign exchange derivatives	-	-	-
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	-	-	-
- Option Contracts	-	-	-
Total Interest Rate derivatives	-	-	-

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

Cash Flow Hedges
The Banking Group's cash flow hedges consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their forecast repricing profile. This forms the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges.

The Banking Group commenced Cash Flow Hedge accounting for any new interest rate swaps entered into thereafter. All underlying hedged cash flows are expected to be recognised in the Statement of Comprehensive Income in the period in which they occur. No amounts were reclassified from Equity Reserves during the period ended 30 September 2013. No ineffectiveness was recognised in profit or loss during the period ended 30 September 2013. The fair value of interest rate swaps designated as cash flow hedges was a asset/liability is nil at period end.

15. SUBSIDIARIES
As at 30 September 2013, the Bank does not have any subsidiaries.

16. PROPERTY, PLANT & EQUIPMENT

2013	Computer Hardware	Office Equipment	Furniture, fittings & Leasehold Improvements	Other Assets	Total
	$'000	$'000	$'000	$'000	$'000
At cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Opening carrying amount	-	-	-	-	-
Additions	27	-	-	-	27
Disposals	-	-	-	-	-
Depreciation	(2)	-	-	-	(2)
Write offs	-	-	-	-	-
Closing carrying amount	25	-	-	-	25
Total At cost	27	-	-	-	27
Total Accumulated depreciation	(2)	-	-	-	(2)
Total Closing carrying amount	25	-	-	-	25

17. INTANGIBLE ASSETS

	2013
	$'000
Goodwill	-
Computer software	-
Computer software work in progress	-
Total intangible assets	-

Goodwill	
Balance at beginning of the year	-
Additions	-
Impairment	-
Balance at end of the year	-

Computer software	
Cost brought forward	-
Accumulated amortisation brought forward	-
Opening net book value	-
Additions	-
Amortisation	-
Closing net book value	-

Computer software work in progress	
Cost	-
Accumulated amortisation	-
Closing net book value	-

18. OTHER ASSETS

	2013
	$'000
Other receivables	322
Commissions receivable	-
Interest receivable	-
Trade and other receivables	322
Current	173
Non-Current	149

19. DUE TO CENTRAL BANKS, BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013
	$'000
Loans from other banks	-
Loans from central bank	-
Items in course of settlement	-
ATM cash at other banks	-
Total due to other financial institutions	-
Current	-
Non-Current	-

20. BALANCES WITH RELATED PARTIES

	2013
	$'000
Cash held with related parties	-
Amounts due from related parties	-
Total balances due from related parties	-
Current	-
Non-Current	-
Amounts due to related parties	347
Total balances due to related parties	347
Current	347
Non-Current	-

Refer to Note 28 for transactions with related parties.

21. DEPOSITS AND OTHER BORROWINGS

	2013
	$'000
Retail deposits	-
Wholesale deposits	-
Other	-
Total deposits	-
New Zealand	-
Overseas	-
Current	-
Non-Current	-

22. DEBT SECURITIES ISSUED

	2013 $'000
Certificates of deposit (CDs)	-
Other debt securities	-
Total debt securities issued	-
Current	-
Non-Current	-

23. OTHER LIABILITIES

	2013 $'000
Employee entitlements	
- Accrued wages/salaries	-
- Accrued KiwiSaver/Pension liability	-
- Other Employee entitlements Accrued	-
Accounts payable	71
Other payables and accruals	56
Total other liabilities	127
Current	127
Non-Current	-

24. SETUP COST OF ICBC NZ

ICBC incurred various costs in Appraisal for period up to 13 March 2013 and setting up the bank in New Zealand during the period ended. The total costs for the appraisal period and the cost for set up is $1,756,448. These expenses are considered expenses borne by and paid for ICBC. The ultimate parent bank has expressed that it will not seek repayment of these setup expenses from ICBC NZ in the future and hence, these expenses are not included for ICBC NZ's financial reporting purposes for the period ended 30 September 2013. This amount has been confirmed by the ultimate parent bank to be non-refundable and non-repayable under any circumstances by ICBC NZ.

25. REVERSE REPURCHASE AGREEMENTS

(A) Financial Assets

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

		2013
		$'000
Reverse repurchase		-
Cash advanced as collateral on securities borrowing		-
Total		-
Reverse repurchase analysed by counterparty:		
	Banks	-
	Other financial institutions	-
Total		-
Reverse repurchase analysed by collateral		
	Securities	-
	Bills	-
	Loans	-
Total		-

As part of the reverse repurchase agreements, the Bank has received securities that it is allowed to sell or repledge in the absence of default by their owners. As at 30 September 2013, the Bank has received securities with a fair value of nil on such terms. Of these, securities with a fair value of **nil** have been repledged under repurchase agreements. The Bank has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Bank may, in certain circumstances, require additional collateral.

(B) Financial Liabilities

		2013
		$'000
Repurchase		-
Cash received as collateral on securities lending		-
Total		-
Repurchase analysed by counterparty:		
	Banks	-
	Other financial institutions	-
Total		-
Repurchase analysed by collateral		
	Securities	-
	Bills	-
	Loans	-
Total		-

26. EQUITY

Equity	2013 $'000
Share capital	60,378
Retained earnings	(126)
Cash flow hedge reserve	-
Available-for-sale reserve	-
FX translation reserve	-
Total equity	60,252

Equity	2013 Number of shares
Number of shares	
Number of shares at the start of the period	-
Shares issued during the period	60,377,729
Number of shares at the end of the period	60,377,729

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

27. ASSET QUALITY

2013	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate exposures	Total
	$'000	$'000	$'000	$'000
Neither past due nor impaired				
Strong	-	-	-	-
Good/Satisfactory	-	-	-	-
Weak	-	-	-	-
Total neither past due nor impaired	-	-	-	-
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	-	-	-
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	-	-	-	-
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charged/(credit) to the statement of comprehensive income:				
New provisions	-	-	-	-
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the year	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	-	-	-	-
Charged (credit) to the statement of comprehensive income	-	-	-	-
Balance at end of the year	-	-	-	-
Total provisions for impairment losses	-	-	-	-
Total net loans and advances	-	-	-	-

The weighted average number of days past due for these assets is nil. Of the total amount recorded as loans and advances at nil, 0% is owed by the largest debtors.

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 2013. Therefore, the Bank does not have any such collateral sold or re-pledged and not having an obligation to return it.

27. ASSET QUALITY continued

Undrawn balances on lending commitments to counterparties within the impaired asset category were **nil** as at 30 September 2013.

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 2013.

28. TRANSACTIONS WITH RELATED PARTIES

The Bank is wholly owned by the Industrial and Commercial Bank of China Limited, a company incorporated in China. All related party transactions are conducted on normal commercial terms and conditions. No related party debts have been written off or forgiven during the period.

The bank has the following related party transactions, which comprise of ICBC Sydney loans $321,000 paid by rent deposit, interest expense $856, capital injection $60,377,729, and computer hardware $26,000 paid by head office.

A. Key Management Personnel

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

(i) Senior Management Compensation

	2013
	$'000
Salaries and other short-term benefits	**-**
Other Benefits	**-**
Total key management compensation	-

The remuneration of the Senior Leadership Team is determined by the Board of Directors having regard to the performance of individuals and market trends.

In note 24, the set up costs include $525,576 of salaries for key management personnel that are borne by the ICBC.

28. TRANSACTIONS WITH RELATED PARTIES continued

(ii) Director's Remuneration

The name of each person holding office as a Director of the Bank throughout the financial period ended 30 September 2013 and the total remuneration received by each Director were as follows:

	Date Appointed	2013 $'000
Donald Thomas Brash	30 Sept 2013	-
Martin Philipsen	30 Sept 2013	-
John Dalzell	30 Sept 2013	-
Jun Jing	13 Mar 2013	-
Hongbin Liu	30 Sept 2013	-
Total Director Remuneration		-

The total maximum remuneration payable to the Directors is approved by the Shareholders at the Annual General Meeting and apportioned by the Directors. This amount was nil for the current period ended 30 September 2013.

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

During the period of 13 March 2013 to 30 September 2013, no directors’ fees have been incurred. On 30 September 2013, ICBC NZ appointed Donald Thomas Brash, Martin Philipsen, John Dalzell, Jun Jing, Hongbin Liu as board of directors.

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

2013	Opening Balance ($'000)	Movement during the year ($'000)	Closing Balance ($'000)	Interest Received/ (Paid) by the Bank ($'000)
Deposits	-	-	-	-
Loans and Advances	-	-	-	-
Total	-	-	-	-

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

B. Guarantees

The Company'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 their respective rules and guidelines. ICBC is not a New Zealand registered bank and is not subject to regulatory oversight by the Reserve Bank of New Zealand.

As at 30 June 2013, 70.8% of total shares in ICBC are owned by the Chinese government. The remaining 29.2% of the shares in ICBC is held by public shareholding. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

28. TRANSACTIONS WITH RELATED PARTIES continued

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. As at 30 September 2013, all the obligations of the Bank are guaranteed by ICBC.

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
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)
Short-term Foreign Currency Bank Deposits Rating	P-1 (Superior ability to repay short-term debt)	A-1 (susceptible to adverse economic condition but satisfactory capacity to meet obligations)
Outlook	Stable	Stable

ICBC guarantees due payments 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) There are no material conditions applicable to the guarantee, other than non-performance by the Bank.
(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.

29. CONCENTRATION OF CREDIT RISK

The following table breaks down the Bank's main credit exposure 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 exposures details, refer to note 35 and 38.

	2013 $'000
New Zealand	
Government	-
Finance	60,379
Households	-
Transport and storage	-
Communications	-
Electricity, gas and water	-
Construction	-
Property services	322
Agriculture	-
Health and community services	-
Personal and other services	-
Retail and wholesale trade	-
Food and other manufacturing	-
Overseas	
Finance, investment and insurance	-
Total financial assets (interest earning)	60,701
Less allowance for impairment losses	-
Other financial assets	-
Total net financial assets	60,701

An analysis of financial assets (interest earning) by geographical sector at balance date is as follows

	2013 $'000
New Zealand	
North Island	60,701
South Island	-
Overseas	
China	-
USA	-
Singapore	-
Hong Kong	-
Australia	-
Total financial assets (interest earning)	60,701

29. CONCENTRATION OF CREDIT RISK continued

Maximum Exposure to Credit Risk - On and Off Balance Sheet

	2013
	$'000
Cash and cash equivalents	60,379
Available-for-sale assets	-
Financial assets held for trading	-
Loans and advances	-
Balances with related parties	-
Due from other financial institutions	-
Derivative financial instruments	-
Tax Receivable	-
Trade and Other Receivables	-
Investment in Subsidiary	-
Other financial assets	322
Total On Balance Sheet Credit Exposures	60,701
Off Balance Sheet Exposures	-
Total Off Balance Sheet Credit Exposures	-

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

0% of the Banking Group's mortgage portfolio is owner occupied residential properties.

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. CONCENTRATION OF FUNDING

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

	2013 $'000
New Zealand	
Transport and storage	-
Financing investment and insurance	-
Electricity, gas and water	-
Food and other manufacturing	-
Construction	-
Government, local authorities and services	-
Agriculture	-
Health and community services	-
Personal and other services	-
Property and business services	-
Education	-
Retail and wholesale trade	-
Other	-
Households	-
Overseas	
Amounts due to related parties	321
Total financial liabilities (interest bearing)	321
Other financial liabilities	127
Overseas	
Amounts due to related parties	26
Total financial liabilities	474

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

	2013 $'000
Deposits	-
Registered Banks	-
Financial Investors	-
Securities issued by Bank (e.g. Notes)	-
Related Parties	347
Other	127
Total financial liabilities	474

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

31. LEASE COMMITMENTS

	2013 $'000
Operating lease commitments under non-cancellable operating leases:	
Not later than One year	765
Later than One Year and Not Later than Two Years	966
Later than Two Years and Not Later than Five Years	2,897
Later than Five Years	2,049
Total	6,677

Current Leasing and Rental Expenses

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

32. CAPITAL COMMITMENTS

As at 30 September 2013, there are $524,123 capital commitments in relation of the computer equipment.

33. CONTINGENT LIABILITIES

	2013 $'000
Performance/financial guarantees issued on behalf of customers	-
Total contingent liabilities	-
Undrawn Commitments	-

34. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

There were no subsequent events after balance date which would materially affect the financial statements.

35. FINANCIAL RISK MANAGEMENT

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

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

35. FINANCIAL RISK MANAGEMENT continued

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

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

Management formally reports on key credit, interest rate, liquidity, foreign exchange and operational risks to the Board on a regular basis. In addition, the following management committees review and manage key risks:

The Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress; and

The Risk Management Committee meets regularly to consider, monitor and review exposure to credit, interest rate, liquidity, foreign exchange and operational risks.

B. Credit Risk

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

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

1. Centralised credit management procedures;
2. Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval and grating of loan and post-disbursement loan monitoring;
3. Stringent qualification system for the loan approval officers; and
4. Information management systems designed to enable a real time risk monitoring.

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

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

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

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

35. FINANCIAL RISK MANAGEMENT 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 tier one capital at the end of the quarter.

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:

	During the period ended 2013	
PEAK END OF DAY CREDIT EXPOSURES:	**Number of Counterparties**	
Percentage of Members' Reserves and Funds	**BANK**	**OTHER**
10% - 14%	-	-
15% - 19%	-	-
20% - 24%	-	-
25% - 29%	-	-
30% - 35%	-	-

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 Reserves as at the reporting date.

	During the period ended 2013	
AS AT REPORTING DATE:	**Number of Counterparties**	
Percentage of Members' Reserves and Funds	**BANK**	**OTHER**
10% - 14%	-	-
15% - 19%	-	-
20% - 24%	-	-
25% - 29%	-	-
30% - 35%	-	-

Individual counterparties in the "Bank" category exclude credit exposures to any bank with a Standard & Poor's investment grade rating of A- or short-term investment grade rating of A3 or above, or its equivalent.

Individual counterparties in the "Other" category include non-banks that have a long-term Standard & Poor's investment grade rating of A- or short term investment grade rating of A3 or above, or its equivalent.

These calculations relate only to exposures held in the financial records of the Bank and were calculated net of individually assessed provisions.

(ii) Credit exposures to connected persons

The Reserve Bank defines connected persons to be other members of the ICBC Group and Directors of the Bank. Credit exposures to connected persons are based on actual credit exposures rather than internal limits. The information on credit exposure to connected persons has been derived in accordance with the Reserve Bank of New Zealand's Connected Exposures Policy (BS8). Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One Capital of the bank has been derived by determining the maximum end-of-day aggregate amount of credit exposure over the relevant accounting period and then dividing that amount by the Bank's Tier One Capital as at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 40**%**. There have been no changes to the limit during the period. Within the rating-contingent limit there is a sub-limit of 15% which applies to non-bank connected persons. The aggregate credit exposures below have been calculated on a gross basis, net of individual credit impairment allowances and

35. FINANCIAL RISK MANAGEMENT continued

excludes advances to connected persons of a capital nature. There are no individual impairment credit allowances against credit exposures to connected persons nor are there any contingent exposures arising from risk lay-off arrangements to connected persons as at 30 September 2013.

PEAK END OF DAY CREDIT EXPOSURES:	During the period ended 2013 $'000
Credit exposures to connected persons	-
As a percentage of Tier One Capital of the Bank	-

AS AT REPORTING DATE:	During the period ended 2013 $'000
Credit exposures to non-bank connected persons	-
As a percentage of Tier One Capital of the Bank	-

The limits on aggregate credit exposure to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times during the period ended 30 September 2013.

C. Liquidity Risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at a reasonable cost in a timely manner to meet the need 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 on the next page summarises the cash flows payable or receivable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows and is not disclosed based on expected cash flows.

35. FINANCIAL RISK MANAGEMENT continued

2013	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	60,379	-	-	-	-	60,379
Due from other financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	-
Other financial assets	-	173	-	-	149	322
Total financial assets	60,379	173	-	-	149	60,701
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-
Due to related parties	26	321	-	-	-	347
Other financial liabilities	127	-	-	-	-	127
Total financial liabilities	153	321	-	-	-	474
Net non derivative cash flows	60,226	(148)	-	-	149	60,227
Derivative cash flows						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-
Off balance sheet cash flows						
Financial guarantees	-	-	-	-	-	-
Total	-	-	-	-	-	-
Net cash flows	60,226	(148)	-	-	149	60,227

35. FINANCIAL RISK MANAGEMENT continued

D. Interest Rate Risk

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

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

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

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

2013	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash and cash equivalents	-	60,379	-	-	-	-	60,379
Due from other financial institutions	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Balances with related parties	-	-	-	-	-	-	-
Other financial assets	-	173	-	-	-	149	322
Total financial Assets	-	60,552	-	-	-	149	60,701
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Due to related parties	26	321	-	-	-	-	347
Other financial liabilities	127	-	-	-	-	-	127
Total financial liabilities	153	321	-	-	-	-	474
On-balance sheet gap							
Net derivative notional principals	-	-	-	-	-	-	-
Net effective interest rate gap	(153)	60,231	-	-	-	149	60,227

35. FINANCIAL RISK MANAGEMENT continued

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

2013	Carrying amount $'000	-0.1%/-100 bps $'000 Profit	+0.1%/+100 bps $'000 Profit	-0.1%/-100 bps $'000 Equity	+0.1%/+100 bps $'000 Equity
Financial assets					
Cash and cash equivalents	60,379	-	-	-	-
Due from other financial institutions	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	-	-	-	-	-
Balances with related parties	-	-	-	-	-
Other financial assets	322	(11)	11	(11)	11
Total financial assets	60,701	(11)	11	(11)	11
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Due to related parties	347	1	(1)	1	(1)
Other financial liabilities	127	-	-	-	-
Total financial liabilities	474	1	(1)	1	(1)

35. FINANCIAL RISK MANAGEMENT continued

E. Foreign Exchange Risk

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

2013	GBP	EUR	CNY	USD	AUD	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Balances with related parties	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-
Net on balance sheet financial position	-	-	-	-	-	-

35. FINANCIAL RISK MANAGEMENT continued

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

2013	Carrying amount $'000	-10% $'000 Profit	+10% $'000 Profit	-10% $'000 Equity	+10% $'000 Equity
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	-	-	-	-	-
Balances with related parties	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total financial assets	-	-	-	-	-
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Due to related parties	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Total financial liabilities	-	-	-	-	-

F. Operational Risk

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

G. Equity Risk

The Bank does not have any equity risk exposure as at Balance date 30 September 2013.

35. FINANCIAL RISK MANAGEMENT continued

H. Financial Instruments by Category

2013	Loans and receivables	Available for sale	Held for Trading	Designated at FVTPL	Derivatives used for hedging	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	60,379	-	-	-	-	60,379
Due from other financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Balances with related parties	-	-	-	-	-	-
Other financial assets	322	-	-	-	-	322
Total financial assets	60,701	-	-	-	-	60,701

2013	Held for Trading	Designated at FVTPL	Derivatives used for hedging	Other financial liabilities at amortised cost	Derivatives used for hedging	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-
Due to related parties	-	-	-	347	-	347
Other financial liabilities	-	-	-	127	-	127
Total financial liabilities	-	-	-	474	-	474

35. FINANCIAL RISK MANAGEMENT continued

I. Fair value of Financial Instruments

2013	Carrying amount $'000	Estimated Fair Value $'000
Financial assets		
Cash and cash equivalents	60,379	60,379
Due from other financial institutions	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale assets	-	-
Loans and advances	-	-
Balances with related parties	-	-
Other financial assets	322	322
Total financial assets	60,701	60,701
Financial liabilities		
Due to other financial institutions	-	-
Financial liabilities at fair value through profit or loss	-	-
Deposits and other borrowings	-	-
Debt securities issued	-	-
Term subordinated debt	-	-
Due to related parties	347	347
Other financial liabilities	127	127
Total financial liabilities	474	474

J. Fair value Assumptions

(i) Cash and Cash Equivalents, Available for sale securities, Balances with related parties are either fair valued or approximate fairs valued on the Balance sheet. The fair value for instruments at amortised cost is determined by using discounted cash flow models incorporating market observable data for similar instruments. The fair value of Available For Sale Securities and other financial assets is also determined using discounted cash flow models incorporating market observable data for similar instruments. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derivate from quoted interest rates. Interest rate options are valued using option pricing models.

(ii) The fair value of financial instruments is calculated using discounted cash flow models incorporating market observable data for similar assets or liabilities.

(iii) Securities are valued at the quoted prices in active markets for similar assets.

(iv) The fair value of loans and advances is based on interest rate repricing and maturity of the financial asset

(v) The fair value of all financial liabilities is based on the interest rate repricing and maturity of the instruments.

35. FINANCIAL RISK MANAGEMENT continued

K. Fair Value Measurements Recognised in the Balance Sheet

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

Level 1 fair value measurements 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).

2013	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	FX contracts	Interest rate swaps	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Level 1	-	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	-	-	-	-
Level 3	-	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	-	-	-	-

36. SECURITISATION, FUNDS, MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

As at balance date the Bank is not involved in:

- The establishment, marketing, or sponsorship of trust, custodial, funds management and 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.

37. RISK MANAGEMENT POLICIES

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

A. Specific Areas of Risk Management

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

B. Role of the Board and its Committees

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

C. Audit Committee

The Board through the Audit Committee Primarily is responsible for:

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

D. Risk Committee

The Board through the Risk Committee Primarily is responsible for:

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

37. RISK MANAGEMENT POLICIES continued

E. Appointment and Remuneration Committee

The Board through the Appointment and Remuneration Committee Primarily is responsible for:

1. Overseeing the effectiveness and integrity of human resource policies of the Bank;
2. Providing governance oversight and assurance on the controls surrounding Executive management and Board human resource processes, including appointments, remuneration and performance processes;
3. Reviewing the people risk management policies, limits, and delegations of the Bank;
4. Reviewing, in accordance with the Bank's remuneration policies, all components of the Chief Executive's and Senior Management Remuneration.
5. Reviewing whether the recruitment policy of the Bank and undertake assessment of persons captured by the policy to ensure integrity of the recruitment process.

F. Internal Audit Function

The Bank has an internal audit function which is supplemented by external assurance providers. The scope of work is planned by management with the assistance of these external assurance providers before being submitted to the Audit committee for approval. This encompasses reviews of major credit, market, technology and operating risks within the Bank.

Internal audit reports are submitted to the Audit Committee with a summary of audit outcomes and management's intended remedial actions where necessary.

G. Capital Adequacy

The Bank's Approach to assessing the adequacy of its capital to support current and future activities, as well as the role that Directors and Senior Management take in the capital management process, is provided in Note 38.

38. CAPITAL ADEQUACY

A. Issued Capital

The Bank has 60,377,729 number of fully paid up ordinary shares (tier one capital) issued at NZ $1 per share as at 30 September 2013.

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.

38. CAPITAL ADEQUACY continued

B. Other classes of capital instrument

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

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

Total regulatory capital must not be less than 8% of risk weighted exposures.

- Tier One capital must not be less than 6% of risk weighted exposures.
- The Common Equity Tier one capital must not be less than 4.5% of risk weighted exposures.
- Capital must not be less than NZ$30 million.

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios for the period ended 30 September 2013 since 30 September 2013. The Bank has compiled 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 have therefore not allocated any capital to cover them.

C. Tier one and two Capital

	2013 $'000
Tier one capital	
Common Equity Tier one capital	
Issued and fully paid up share capital	60,378
Retained earnings	(126)
Accumulated other comprehensive income and other disclosed reserves	-
Interest from issue of ordinary shares	-
Less:	-
Regulatory adjustments	-
Deferred tax assets	-
Total common equity tier one capital	60,252
Additional Tier one capital	
High-quality capital	-
Instruments issued	-
Share premium from issue of instruments	-
Associated retained earnings	-
Less: Regulatory adjustments	-
Total additional tier one capital	-
Total tier one capital	60,252
Tier two capital	
Instruments issued by bank	-
Share premium from issue of instruments	-
Revaluation reserves	-
Foreign currency translation reserves	-
Less: Regulatory adjustments	-
Total tier two capital	-
Total capital	60,252

38. CAPITAL ADEQUACY continued

D. Credit Risk

2013	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	-	-	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	-	-	-	-
Banks rating grade 1	60,379	20%	12,076	966
Banks rating grade 2	-	-	-	-
Corporate	322	100%	322	26
Residential mortgages not past due -LVR up to 80%.	-	-	-	-
Residential mortgages not past due -LVR >80% but up to 90%	-	-	-	-
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)	-	-	-	-
Non Risk Weighted Assets	-	-	-	-
Other assets	-	-	-	-
Total on balance sheet exposures after credit risk mitigation	60,701	-	12,398	992

38. CAPITAL ADEQUACY continued

2013 Calculation of off-balance-sheet exposures	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	-	-	-
Asset sale with recourse	-	-	-	-
Forward asset purchase	-	-	-	-
Commitment with certain drawdown	-	-	-	-
Note issuance facility	-	-	-	-
Revolving underwriting facility	-	-	-	-
Performance-related contingency	-	-	-	-
Trade-related contingency	-	-	-	-
Placements of forward deposits	-	-	-	-
Other commitments where original maturity is more than one year	-	-	-	-
Other commitments where original maturity is less than or equal to one year	-	-	-	-
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	- -	- -	- -	- -
Market related contracts				
(a) Foreign exchange contracts	-	-	-	-
(b) Interest rate contracts	-	-	-	-
(c) Other - OTC, etc	-	-	-	-
Total off-balance sheet exposures	-	-	-	-

E. Residential mortgages by loan-to-valuation ratio

Current Year Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	-	-	-	-

F. Reconciliation of residential mortgage-related amounts

	30 September 2013 $'000
Residential mortgage loans (as disclosed in Note 13)	-
Residential mortgages by loan-to-valuation ratio	-

38. CAPITAL ADEQUACY continued

G. Credit risk mitigation

Current Year	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class	**$'000**	**$'000**
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	-	-

H. Operational risk capital requirement

Current Year	Implied risk weighted exposure	Total operational risk capital requirement
	$'000	**$'000**
Operational risk	-	-

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 (No.2) 2013. Peak exposures are calculated using the Bank's shareholders equity at the end of the period.

	End-period capital charges		Peak end-to-day capital charges	
2013	**Implied risk weighted exposure**	**Aggregate capital charge**	**Implied risk weighted exposure**	**Aggregate capital charge**
	$'000	**$'000**	**$'000**	**$'000**
Interest rate risk	123	10	123	10
Foreign currency risk	-	-	-	-
Equity risk	-	-	-	-
Total capital requirements	123	10	123	10

38. CAPITAL ADEQUACY continued

2013	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
	$'000	$'000	$'000
Total credit risk + equity	60,701	12,398	992
Operational risk	-	-	-
Market risk	-	123	10
Total	60,701	12,521	1,002

Capital ratios

Current Year	Common Equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
	%	%	%
Ratio	481.21%	481.21%	481.21%
Minimum ratio requirement	4.50%	6%	8%

Buffer ratios

Current Year	Total Buffer Ratio
	%
Buffer ratio	473.21%
Buffer ratio requirement effective from 1 January 2014	2.50%

J. Capital adequacy of Ultimate Parent Bank

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

ICBC is required by the China Banking Regulatory Commission (CBRC) to hold minimum capital at least equal to that specified under the standardised approach Basel II. This information is made available to users via the ICBC website (www.icbc.com.cn).

As latest available data at 30 June 2013, ICBC's Tier One Capital was 10.48% of Total Risk-weighted Assets and Total Capital was 13.11% of Total Risk-weighted Assets (at 31 December 2012: Tier One Capital was 10.62% of Total Risk-weighted Assets and Total Capital was 13.66% of Total Risk-weighted Assets). ICBC's capital ratios during the period ended 30 June 2013 and year ended 31 December 2012 exceeded both of the CBRC's minimum capital adequacy requirements.