INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the six months ended 30 June 2018



Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China (New Zealand) Limited for the six months ended 30 June 2018 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

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

The financial statements of ICBC(NZ) for the six-month period ended 30 June 2018 form part of and should be read in conjunction with this Disclosure Statement.

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

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

Address for Service

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

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

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

Nature of Business

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

Details of Ultimate Parent Bank and Ultimate Holding Company

(a) Ultimate Parent Bank

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

The registered address of ICBC is:

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

(b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank,

(c) Shareholding in ICBC

As at 31 March 2018, 68.11% of total shares in ICBC are owned by the Chinese government. The remaining 31.89% of the shares in ICBC are held by public shareholders, ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Further details concerning the shareholdings in ICBC are on the ICBC website: www.icbc.com.cn

(d) Annual Report of ICBC

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

(e) Summary on restrictions of supporting the Bank

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

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

The Bank is a wholly-owned subsidiary of ICBC.

Subordination of Claims of Creditors

Priority of claims in the event of liquidation

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

Guarantee

Guarantee arrangements

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

A copy of the guarantee of the Bank's indebtedness given by ICBC is provided in the Bank's Disclosure Statement for the period ended 31 December 2017. A copy of the Disclosure Statement can be obtained from the Bank's website www.icbcnz.com.

There has been no change in the terms of the guarantee since the date of signing of the year-end Disclosure Statement. Details of the guarantor (Parent)

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

The address for service of ICBC is:

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

As at 31 March 2018, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 2,184,905 million (per first quarterly report financial - unaudited) (NZS482,864 million), representing 15.09% of risk weighted exposure.

(b) Credit Rating

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

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

(c) Rating movement history

There has not been any Standard & Poor's or Fitch Credit rating movement in the last 2 years.

On 24 May 2017, Moody's Investors Service changed the "Outlook" rating to "Stable" from "Negative", reflecting the change to outlook on Chinese Sovereign rating. No changes were made to any other ratings in the last two years.

Details of the guaranteed obligations (Parent)

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

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

Directors

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

The Board comprises:

- Donald Thomas Brash, Chairman, Independent Director
- · Martin Philipsen, Independent Director
- John Glenn Dalzell, Independent Director
- · Qian Hou, Executive Director
- Hongbin Liu, Non-Executive Director
- Mel Tao, Non-Executive Director.

Auditor

The name and address of the auditor whose independent auditor's review report is referred to in this Disclosure Statement is:

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

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

These conditions of registration apply on and after 1 January 2018. The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") as a registered bank is subject to the following conditions:

That---

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

For the purposes of this condition of registration, --

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

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

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

1A. That-

- (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ("ICAAP")" (BS12) dated December 2007:
- (b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015; and
- (c) the bank determines an internal capital allocation for each identified and measured "other material risk",
- 1B. That, if the buffer ratio of the banking group is 2.5% or less, the bank must:
 - (a) according to the following table, limit the aggregate distributions of the bank's earnings to the percentage limit to distributions that corresponds to the banking group's buffer ratio:

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

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

For the purposes of this condition of registration,—

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

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;
- (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.

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

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

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

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

- That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
- 6. That the bank complies with the following corporate governance requirements:
 - (a) the board of the bank must have at least five directors;
 - (b) the majority of the board members must be non-executive directors;
 - (c) at least half of the board members must be independent directors;
 - (d) an alternate director,—
 - (i) for a non-executive director must be non-executive; and
 - (ii) for an independent director must be independent;
 - e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
 - (f) the chairperson of the board of the bank must be independent;

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

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

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

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

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

- 10. That a substantial proportion of the bank's business is conducted in and from New Zealand.
- 11. That the banking group complies with the following quantitative requirements for liquidity-risk management:
 - (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
 - 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 January 2018 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

- 12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prodent 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
- (d) 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 band;

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

14. That-

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

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS45) dated December 2011.

- 15. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 65%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
- 16. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
- 17. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,-

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

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In conditions of registration 15 to 17,---

"ioan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2018:

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of June 2018.

Changes in Condition of Registration:

The conditions of registration relating to residential mortgage lending to property investors and non-property investors has been amended. The new conditions will allow a small (5%) flow of investor mortgage fending with LVRs greater than 65%, and a 15% flow of non-property investor lending with LVRs above 80%. The amendment to the threshold for investor loans counting as high LVR (65%) will also allow some additional loans to meet the criteria for the combined collateral exemption.

Refer to a revised version of "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) which implements the changes described above.

Refer to a revised version of "Liquidity Policy" (BS13) which amends the definition of total loans and advances.

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC NZ Rating Information

On 26 May 2017, Moody's Investors Service changed the "Outlook" rating to "Stable" from "Negative", reflecting the change to the outlook on Chinese Sovereign rating. No changes were made to any other ratings in the last two years.

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

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

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

Rating Information

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

Fitch IBCA, Inc.	Standard & Poor's Corporation	Moody's Investors Service, Inc.	Description of Rating ^{1,2}
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong, This is the highest investment category.
.AA	AA	.Aa	Very strong ability to repay principal and interest in a timely manner.
Α	Ą.	Α	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").
ВВ	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
В.	В	₿	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.

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.
Credit ratings are statements of opinion issues by rating agencies. A credit rating is not a statement of fact, an endorsement of the

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

Other Material Matters

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

Directors' Statements

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

- 1. As at the date on which the Disclosure Statement Is signed:
 - (a) The Disclosure Statement contains all the information that is required by the "Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended)", ("the Order"); and
 - (b) The Disclosure Statement is not false or misleading.
- 2. During the six months ended 30 June 2018:
 - (a) the Registered Bank has compiled with all conditions of registration that applied during the period;
 - (b) Credit exposures to connected persons were not contrary to the interest of the Banking Group; and
 - (c) The Registered Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 30 August 2018 and has been signed by Qian Hou as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Qian Hou

Executive Director

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Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the six months ended 30 June 2018

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STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Unaudited 30 June 2018 6 months	Unaudited 30 June 2017 6 months	Audited 31 December 2017 12 months
Interest Income		35,528	19,350	47,289
Interest Expense		(18,598)	(10,659)	(25,317)
Net Interest Income		16,930	8,691	21,972
Net gains/ (losses) on financial instruments at fair value through P&L		9,558	(1,966)	7,432
Other Income	2	(8,467)	2,653	(6,402)
Total operating Income		18,021	9;378	23,002
Operating expenses		(8,407)	(6,826)	(14,523)
Impairment provisioning on loans and advances to customers	3	(7,593)	(1,372)	(12,563)
Net profit/(loss) before taxation		2,021	1,180	(4,084)
Taxation (expense)/ benefit	4.	(566)	794	2,885
Net profit/(loss) after taxation		1,455	1,974	(1,199)
Other comprehensive income, net of tax	.			
Other comprehensive income which will not be reclassified to profit or loss		-	4	•
Other comprehensive income which may be reclassified to profit or loss		_	_	₹
Total other comprehensive income, net of tax		-		
Total comprehensive income		1,455	1,974	(1,199)

STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the six months ended 30 June 2018 (unaudited)				
Balance at 31 December 2017		145,460	(6,165)	139,295
Changes on initial application of IFRS 9	1		(665)	(665)
Balance at the beginning of the period		145,460	(6,830)	138,630
Capital injection from shareholders		88,080	•	88,080
Net profit/(loss) for the period		-	1,455	1,455
Total equity movement for the period		88,080	1,455	89,455
Balance at 30 June 2018		233,540	(5,375)	228,165
For the six months ended 30 June 2017 (unaudited)				<u> </u>
Balance at the beginning of the period		145,460	(4,966)	140,494
Capital Injection from shareholders		-	-	-
Net profit/(loss) for the period		-	1,974	1,974
Total equity movement for the period		-	1,974	1,974
Balance at 30 June 2017		145,460	(2,992)	142,468
For the year ended 31 December 2017 (audited)				
Balance at the beginning of the year		145,460	(4,966)	140,494
Capital injection from shareholders			-	-
Net profit/(loss) for the year		<u>-</u>	(1,199)	(1,199)
Total equity movement for the year		-	(1.199)	(1,199)
Balance at 31 December 2017		145,460	(6,165)	139,295

STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Assets				
Cash, cash equivalents and balances with central banks		484,728	41,150	328,294
Amounts due from related parties	10	31,091	5,213	12,605
Due from banks and other financial institutions		361,885	102,360	-
Financial assets designated at fair value through profit or loss		-	-	.
Financial securities		41,992	47,445	40,226
Available-for-sale assets		-		· · ·
Derivative Financial Assets		6,387	255	273
Loans and advances to customers	5,9	1,564,364	934,603	1,269,507
Property, plant and equipment		262	626	428
Intangible assets			- -	· <u>-</u>
Current taxation		-	-	-
Deferred tax assets		7,923	1,553	5,538
Other assets		6,645	3,984	5,162
Total assets		2,505,277	1,137,189	1,662,033
Liabilities				
Due to central banks and other financial institutions		1	1.	1
Amounts due to related parties	10	1,124,654	383,417	685,362
Derivative Financial Liabilities		819	203	316
Deposits from customers	-6	480,766	255,606	419,520
Certificates of Deposit	7	112,845	49,703	54,679
Subordinated loans due to related parties	8.	70,000		35,000
Debt securities issued	7	465,453	295,479	311,305
Deferred tax liabilities	•			-,,,
Current tax payable		2,457	792	1,942
Other liabilities		20,117	9,520	14,613
Total liabilities	·····	2,277,112	994,721	1,522,738
Shareholder's equity				
Share capital		233,540	145,460	145,460
Reserves		(5,375)	(2,992)	(6,165)
Total shareholder's equity		228,165	142,468	139,295
Total shareholder's equity and liabilities		2,505,277	1,137,189	1,662,033
Total interest earning and discount bearing assets	11,18	2,474,048	1,114,806	1 621 225
Total interest and discount bearing liabilities	12,18			1,631,335
reservations of all discount requirigualities	1,2,10	2,182,828	924,110	1,430,402

The accounting policies and other notes (1-21) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 30 August 2018 and are signed on their behalf by:

Qian Hou Executive Director

STATEMENT OF CASH FLOWS

TATEMENT OF CASH LOWS	Unaudited	Unaudited	Audited
	20 June 2049	20 June 2017	31 December 2017
Thousands of dollars	30 June 2018 6 months	30 June 2017 6 months	12 months
Cash flows from operating activities			
Interest income	35,492	18,361	47,869
Other income	(3,727)	(449)	1,121
Personnel expenses	(4,673)	(3,918)	(8,486)
Other operating expenses	(3,820)	(2,348)	(5,920)
Interest expense	(15,315)	(9,513)	(22,136)
Taxes paid	(2,177)	(562)	(1,307)
Net cash flows from operating activities before changes in operating assets and liabilities	5,780	1,571	11,141
Changes in operating assets and liabilities arising from cash flow movements:			
(Increase)/decrease in loans and advances to customers	(301,917)	(235,652)	(581,747)
(Increase)/decrease in amounts due from other financial institutions	-	-	
Increase / (decrease) in deposits from customers	61,246	105,807	269,721
Increase/(decrease) in amounts due to related parties	(6,707)	(36,764)	165,687
Increase/ (decrease) in amounts due to financial institutions	-	, ,,,	-
(Increase) / decrease in other assets	_	(15)	_
Increase/(decrease) in other liabilities	(156)	(19)	260
(Increase)/decrease in amounts due from related parties	(8,019)	(5,213)	(12,605)
Increase / (decrease) in certificates of deposit	58,166	16,253	21,229
Net change in operating assets and liabilities	(197,387)	(155,603)	(137,455)
Net cash flows from operating activities	(191,607)	(154,032)	(126,314)
			<u> </u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(31)	-	(10)
Purchase of financial securities	(2,000)	(6,963)	· <u>-</u>
Net cash flows from investing activities	(2,031)	(6,963)	(10)
Cash flows from financing activities			
Capital injection from shareholders	080,88	-	-
Increase in subordinated loans due to related parties	35,000	-	35,000
Increase in debt securities issued	153,345	192,986	208,605
Net cash flows from financing activities	276,425	192,986	243,605
Increase/(Decrease) in cash and cash equivalents	82,787	31,991	117,281
Cash and cash equivalents at beginning of year	119,491	2,210	2,210
Effect of exchange rate changes on cash and cash equivalents	-	₹.	-
Cash and cash equivalents	202,278	34,201	119,491
Cash and cash equivalents at end of the period comprised:			
Cash, cash equivalents and balances with central banks*	484,728	41,150	328,294
Due from banks and other institutions classified as cash equivalents	361,885	102,360	<u>.</u>
Amount due from related parties	10,467	-	-
Due to central banks and other financial institutions classified as	(1)	(1)	(1)
cash and cash equivalents Amount due to related parties classified as cash and cash equivalents	(654,801)	(109,308)	(208,802)

^{*} Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2018 is \$9,848K (30 June 2017; \$4,731K, 31 December 2017; \$3,284K). This is included in cash and cash equivalents balance.

STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited	Unaudited	Audited 31 December
Thousands of dollars	30 June 2018 6 months	30 June 2017 6 months	2017 12 months
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit/(loss) after taxation	1,455	1,974	(1,199)
Non cash movements:	,		· ·
Unrealised fair value adjustments	(6)	73	171
Depreciation	197	206	414
Amortisation of Intangibles	4	-	-
Amortisation of financial instruments	231	194	450
Increase in collective allowance for impairment losses	7,593	1,372	12,552
Loss on written-off financial assets	-	· -	17
Gain on bad debts recovery	•-	-	(6)
(Increase)/decrease in deferred expenditure	-	-	
Unsecured lending losses		-	
Unrealised foreign exchange loss/(gain)	(4,813)	(939)	(79)
(increase)/decrease in deferred taxation	(2,127)	(1,553)	(5,538)
Amortisation of debt securities issued	10	(463)	(1,118)
Increase in operating assets and liabilities	1,086	(1,110)	6,863
(Increase)/decrease in interest receivable	(825)	(1,031)	(1,458)
Increase/(decrease) in payable accruals	3,274	1,146	4,297
(Increase)/decrease in loans and advances to customers	(301,917 <u>)</u>	(235,652)	(581,747)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase/(decrease) in deposits from customers	61,246	105,807	269,721
increase/(decrease) in certificates of deposit	58,166	16,253	21,229
increase/(decrease) in amounts due to other financial institutions	-	⇒.	-
Increase/(decrease) in other liabilities	776	695	2,636
increase/(decrease) in amounts due to related parties	(6,707)	(36,764)	165,687
(Increase)/decrease in current taxation	516	196	1,346
(Increase)/decrease in other assets	(658)	(333)	(1,084)
(Increase)/decrease in amounts due from related parties	(8,019)	(5,213)	(12,605)
Net cash flows from operating activities	(191,607)	(154,032)	(126,314)

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2018 (unaudited)

	٠			
No	n	-casi	ı cha	nges.

	31 December 2017	Net Cashflow	Amortisation	Foreign Exchange movement	30 June 2018
Subordinated loans due to related parties	35,000	35,000	, - -	•	70,000
Debt securities issued	311,305	153,345	10	793	465,453
Total liabilities from financing activities	346,305	188,345	10	793.	535,453

31 December

2016

103,894

103,894

STATEMENT OF CASH FLOWS (CONTINUED)

Subordinated loans due to

related parties

Debt securities issued

Total liabilities from

financing activities

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2017 (unaudited)

Non-cash o	changes	
Amortisation	Foreign Exchange movement	30 June 2017
•	•	-
(463)	(938)	295,479

(938)

295,479

(463)

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2017 (audited)

	Non-cash changes						
	31 December 2016	Net Cash flow	Amortisation	Foreign Exchange movement	31 December 2017		
Subordinated loans due to related parties	-	35,000	-	-	35,000		
Debt securities issued	103,894	208,605	(1,118)	(76)	311,305		
Total liabilities from financing activities	103,894	243,605	(1,118)	(76)	346,305		

Net

Cashflow

192,986

192,986



Note 1 - Statement of Accounting Policies

(1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank"). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements are for the six months ended 30 June 2018.

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Markets Conduct Act 2013, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

They were approved for Issue by the Directors on 30 August 2018. The address of the Bank's registered office is Level 11, 188 Quay. Street; Auckland 1010; New Zealand. The Bank provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

These interim financial statements are for the Bank for the six months ended 30 June 2018. They have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit oriented entities, and the New Zealand Equivalent to International Accounting Standards 34, Interim Financial Reporting (NZ IAS 34), International Accounting Standard 34 (IAS 34), and the Order, and should be read in conjunction with the Bank's financial statements for the year ended 31 December 2017. These interim financial statements do not include all the disclosures required for full annual financial statements and are condensed financial statements in accordance with NZ IAS 34.

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

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

(3) Presentation Currency

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

(4) Critical accounting estimates and judgements

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

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

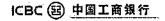
The information about estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following accounting policies and notes:

- Impairment Allowance (Note 3)
- Deferred Taxation (Note 4)

Estimation uncertainties:

During the period, a borrower Group operating in multiple jurisdictions, entered into voluntary administration as a result of on-going investigations that had been carried out by regulators in those jurisdictions. The total amount of lending to the Group amounted to \$33.4 million as at 30 June 2018. As at the date of approval of the Bank's disclosure statements, the various administrators were still in the process of finalising the estimated recovery from the assets of the Group. The various administrators have prepared their first administrator report but due to the complexity of the Group and the involvement of other regulators form other jurisdictions this report is naturally a very early estimate of the outcome for secured lenders of the group.

The on-going regulator investigations during the period represent an indicator of impairment as at the end of June, and the Bank has made a further specific provision amounting to \$6.2 million to bring the total provision to \$16.4 million, of the total outstanding principal financed to the Group. The determination of provision is highly judgemental and is subject to significant estimation uncertainty due to the following reasons:



Note 1 - Statement of Accounting Policies (continued)

- Complexity in the Group structure, due to its presence in multiple jurisdictions and the inter-relation of
 operations amongst subsidiaries. Additional time will be required for the administrators to form a conclusive
 view on the level of recovery of available funds to pay creditors;
- Multiple administrators involved in the assessment of valuation and recoverability of the Group's assets; and
- The involvement and oversight of different regulators in the process

Given the uncertain timing of the administrators' final assessment and amount of the expected loan recovery, the eventual provision could vary substantially from the amounts shown in these financial statements. The provision, however, represents management's best estimate based on the most recent information available as at the date of approval of the disclosure statements.

(5) Changes in accounting policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2017, except as disclosed below.

The following new amendment to standards relevant to the Banking has been adopted from 1 January 2018 and have been applied in the preparation of these financial statement:

NZ IFRS 9 Financial Instruments: Classification and Measurement effective for periods on or after 1 January 2018 has been adopted. This standard replaces the existing guidance in IAS 39 Financial instruments: Recognition and Measurement, IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is on a retrospective basis and includes an exception from the requirement to restate comparative information. The bank plans to use the exemption from restating comparative information and will recognise any impact on accumulated profit or loss and reserves against the opening balance of retained profits and reserves at 1 January 2018.

The following changes to accounting policies due to the application of this standard have been applied to these interim financial statements.

Financial assets

The Bank classifies its financial assets as subsequently measured at either amortised cost or fair value on the basis of the Bank business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The key changes are summarised below:

- The Held-to-maturity and Available-for-sale categories were eliminated;
- A new asset category measured at Fair value through other comprehensive income (FVOCI) was introduced.

A financial asset is measured at amortised cost only if both the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest

Financial liabilities

Classification of financial liabilities remained largely unchanged and continue to be measured at amortised cost,

Change to impairment of financial assets

The NZ IFRS 9 introduces a new impairment model that requires the recognition of expected credit loss, replacing the incurred loss methodology model under NZ IAS 39. Key changes in the Bank's accounting policy for impairment of financial assets are listed below.

The Bank applies a three-stage approach to measuring expected credit loss(ECL) on financial assets classified as amortised cost. Assets migrate through the following three stages based on the change of their credit quality.

Stage 1 – the recognition of 12 month ECL, that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 - lifetime ECL for financial instruments for which credit risk has increased significantly since initial recognition;

Statge 3 - tifetime expected credit losses for financial instruments which are credit impaired.

Note 1 - Statement of Accounting Policies (continued)

Classification and measurement change under NZ IFRS 9

The following table summarise the classification and measurement changes by balance sheet asset class to the Bank's financial assets on 1 January 2018, the Bank's date of initial application of NZ IFRS 9. There are no changes in the classification and measurement of financial liabilities of the Bank.

Thousands of dollars			1 Jan	uary 2018
Financial Assets	Original Measurement Category Under NZIAS39	New Measurement Category under NZIFRS9	Original Carrying Amount Under NZIAS39	New Carrying Amount Under NZIFRS9
Cash, cash equivalents and balances with central banks	Loans and receivables	Amortised cost	328,294	328,294
Amounts due from related parties	Loans and receivables	Amortised cost	12,605	12,605
Due from banks and other financial institutions	Loans and receivables	Amortised cost	-	M.,
Financial assets designated at fair value through profit or loss	Fair value through profit and loss	Fair value through profit and loss	~	-
Financial securities	Held to maturity	Amortised cost	40,226	40,224
Available-for-sale assets.	Fair value through other comprehensive income	Fair value through other comprehensive income	-	-
Derivative Financial Assets	Fair value through profit and loss	Fair value through profit and loss	273	273
Loans and advances to customers	Loans and receivables	Amortised cost	1,269,507	1,270,296
Other assets	Loans and receivables	Amortised cost	3,946	3,946
Total financial assets		• •	1,654,851	1,655,638

Reconciliation from IAS 39 to IFRS 9 - impairment allowance and provisions

The table below presents a reconciliation of the IAS 39 impairment allowances for incurred credit losses to IFRS 9 impairment allocances for expected credit losses by major product.

Thousands of dollars

Total IAS 39 impairment allowance as at 31 December 2017	16,610
Plus;	
Impairment allowance on due from banks & other financial institutions	**
Impairment allowance on financial securities	2
Provision for undrawn contractually committed facilities and guarantee contracts	1,710
Less:	
Impairment allowance on loans and advances to customers	(789)
Total Impact of IFRS 9 on impairment allowances and provisions	923
Total impairment allowance under IFRS 9	17,533

Financial Instruments with impairment, by stage

The table below presents a breakdown of gross financial assets in scope of IFRS 9 where there has been an impairment allowance with stage allocation, including off balance sheet exposures:

As at 1 January 2018		Gross e	xposure		lä	pairment	allowance	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	1,253,293	-	32,824	1,286,117	5,585	-	10,236	15,821
Financial securities	40,226	. .	-	40,226	2			2
Cash, cash equivalents and balances with central banks	328,294	-	-	328,294	-	-	-	-
Off balance sheet loan commitments and financial guarantee contracts	-	-	<u>-</u>	-	1,710	-	*	1.710
Total	1,621,813		32,824	1,654,637	7,297	-	10,236	17,533

Note 1 - Statement of Accounting Policies (continued)

Balance sheet Impact of the adoption of NZ IFRS 9
The following table is a reconciliation of the balance sheet from NZ IAS 39 to NZ IFRS 9 as at 1 January 2018.

	Audited	IFRS 9 Classification	IFRS 9	
Thousands of dollars	31 December 2017	and measurement	Impairment change	1 January 2018
Assets				
Cash, cash equivalents and balances with central banks	328,294	-	_*	328,294
Amounts due from related parties	12.605			12,605
Due from banks and other financial institutions			ث د	_
Financial securities	40,226		(3)	40,223
Derivative Financial Assets	273	-	-	273
Loans and advances to customers	1,269,507		789 ⁻	1,270,296
Property, plant and equipment	428	-	··.	428
Intangible assets	_	-	_	
Current taxation	-	-	-	-
Deferred tax assets	5,538		259	5,797
Other assets	5,162	•	· <u>-</u>	5,162
Total assets	1,662,033	_	1,045	1,663,078
Liabilities				
Due to central banks and other financial institutions	i	u	_	1
Amounts due to related parties	685,362	u.	_	685,362
Derivative Financial Liabilities	316	u.	_	316
Deposits from customers	419,520	-		419.520
Certificates of Deposit	54,679	<u>-</u>	-	54,679
Subordinated loans due to related parties	35,000	· <u>-</u>	-	35,000
Debt securities issued	311,305	-		311,305
Deferred tax liabilities		 .	_	_
Current tax payable	1,942		-	1,942
Other liabilities	14,613	-	1,710	16,323
Total liabilities	1,522,738	-	1,710	1,524,448
Shareholder's equity				
Share capital	145,460		-	145,460
Reserves	(6,165)		(665)	(6,830)
Total shareholder's equity	139,295		(665)	138,630
Total shareholder's equity and liabilities	1,662,033	•.	1,045	1,662,078
	· · · · · · · · · · · · · · · · · · ·			

(6) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statements effected are: the balance of Vostro accounts have been reclassified as cash and cash equivalents in Statement of Cash Flows.

Note 2 - Other Income

Thousands of dóllars	Unaudited 30 June 2018 6 months	Unaudited 30 June 2017 6 months	Audited 31 December 2017 12 months
Banking and lending fee income	497	278	691
Payment services fee income	417	414	772
Net foreign exchange gains/(losses) and commissions	(9,381)	1,637	(7,881)
Gain on safe of property, plant and equipment	-	-	-
Other revenue:	<u>-</u> .	324	16
Total other income	(8,467)	2,653	(6,402)

Note 3 - Impairment Allowance

Unaudited 30 June 2018

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Refail Mortgage Lending	Corporate and institutional	Soverigns, public sector and banks	Total as at 30 June 2018
Provision for credit impairment measured on a 12-month ECL	9.	3,137	5,567	3	8,716
Provision for credit impairment measured on a lifetime ECL not credit impaired	2	-	· - ·	-	2
Provision for credit impairment measured, on a lifetime ECL not credit impaired	-	13	16,395	-	16,408
Bad debts written off	L	-	-	'n.	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2018	11	3,150	21,962	3	25,126

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2018				
Movement in provision for credit impairment	Provision 12-month	Provision lifetime ECL	Provision lifetime ECL	
Thousands of dollars	ECL no	ot credit impaired	credit impaired	Total
Residential mortgage lending				
Balance at beginning of period	2,091	-	-	2,091
Changes to the opening balance due to transfer between ECL stages				·
Transfer to provision 12-month ECL		•	-	-
Transfer to provision lifetime ECL not credit impaired	14	÷	-	÷
Transfer to provision lifetime ECL credit impaired	(13)		13∙	-
Charge to statement of comprehensive income in current year	1,059	-	-	1,059
Bad debts written off	-	-	-	
Bad debts recovered	-	-		1
Balance as at 30 June 2018	3,137	+	13	3,150
Other groups and reliable a second with and analysis hands				
Other exposures excluding sovereigns and central banks	470			40.
Balance at beginning of period Changes to the opening balance due to transfer between ECL	16	-	.*	16 ⁻
stages.				
Transfer to provision 12-month ECL	-	<u>~</u>		<u>-</u>
Transfer to provision lifetime ECL not credit impaired	· -	-	-	_
Transfer to provision lifetime ECL credit impaired	-	-	-	•
Charge to statement of comprehensive income in current year	(7)	2	≤	(5)
Bad debts written off	-	-	-	-
Bad debts recovered	*	4	:	_
Balance as at 30 June 2018	9	2	.	11
Onmanda and discible of and				
Corporate and institutional	E 4 B 0		40.000	45,104
Balance at beginning of period Changes to the opening balance due to transfer between ECL stages.	5,188	-	10;236	15,424
Transfer to provision 12-month ECL	.	**	_	-
Transfer to provision lifetime ECL not credit impaired	_	-	-	_
Transfer to provision lifetime ECL credit impaired	7	-	**	_
Charge to statement of comprehensive income in current year	379	_	6,159	6,538
Bad debts written off	•	-	-	
Bad debts recovered	 .	•	-	·_
Balance as at 30 June 2018	5,567	· -	16,395	21,962
Soverigns, public sector and banks				<u>.</u> .
Balance at beginning of period Changes to the opening balance due to transfer between ECL stages	2	-	•	2
Transfer to provision 12-month ECL				.=
Transfer to provision lifetime ECL not credit impaired		_	_	_
Transfer to provision lifetime ECL credit impaired	.	**	_	_
Charge to statement of comprehensive income in current year	1		_	.1
Bad debts written off	· -	-	_	
Bad debts recovered	_	-	-	- · · · · · · · · · · · · · · · · · · ·
Balance as at 30 June 2018	3.	-		.3
Total chages to statement of comprehensive income in	1,432	2	6,159	7,593
Current year Total balance as at 30 June 2018	8,716	2		····
rotal paralled as at 30 Julie 2010	6,710	۷.	16,408	25,126

Note 4 - Taxation

Consistent with NZ IAS 12 the Bank has recognised tax benefits totalling \$7,923K (30 June 2017; \$1,553K, 31 December 2017; \$5,538K). The majority of the tax benefits recognised relate to the allowance for impairment losses, accelerated depreciation, and other provisions. Tax benefits not recognised in these financial statements amounted is nil at 30 June 2018 (30 June 2017; \$666K, 31 December 2017; nil).

Thousands of dollars	Unaudited 30 June 2018 6 months	Unaudited 30 June 2017 6 months	Audited 31 December 2017
Net profit/(loss) before taxation	2,021	1,180	(4,084)
Tax calculated at a tax rate of 28%	. 566	330	(1,144)
(Under)/over provision from prior period	*	•	Ġ
Temporary differences not recognised	-	-	(1,791)
Utilisation of tax losses previously unrecognised	π.	-	-
Tax benefit recognised from prior period	-	(1,125)	-
Other permanent differences	:-	1	44
Taxation charge / (benefit) as per the statement of comprehensive income	566	(794)	(2,885)
Represented by:			
Tax benefit recognised from prior period	-	(1,125)	· <u>-</u>
Current tax	2,692	759	2,653
Deferred tax	(2,126)	(428)	(5,538)
Taxation charge / (benefit) as per the statement of comprehensive income	566	(794)	(2,885)

Note 5 - Loans and Advances to Customers

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Residential mortgage loans	656,443	259,523	437,925
Corporate exposures	931,491	680,442	848,100
Credit Cards	100	71	92
Other exposures	-	-	-
Allowance for Impairment losses	(23,670)	(5,433).	(16,610)
Total net loans and receivables	1,564,364	934,603	1,269,507
Current	297,196	216,921	296,020
Non-Current	1,267,168	717,682	973,487

Note 6 - Deposits from Customers

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Demand deposits not bearing interest	70,891	60,096	75,465
Demand deposits bearing interest	7,135	1	3,114
Term deposits	402,740	195,509	340,941
Total deposits	480,766	255,606	419,520
Current	411,214	93,021	325,979
Non-Current	69,552	162,585	93,541

Note 7 - Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Certificates of deposit (CDs)	112,845	49,703	54,679
Other debt securities	465,453	295,479	311,305
Total debt securities issued	578,298	345,182	365,984
Current	133,493	175,367	74,394
Non-Current	444,805	169,815	291,590

Note 8 - Subordinated Loans due to Related Parties

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Subordinated loans due to related parties	70,000	-	35,000
Total debt securities issued	70,000	•	35,000
Current	-	ź	•
Non-Current	70,000		35,000

The subordinated loan due to related parties of NZ\$70m as at 30 June 2018 are 5 years unsecured debts (note 19).

Note 9 - Asset Quality

Unaudited 30 June 2018 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor Impaired	60	653,761	898,052	1,551,873
Past due assets not impaired		500//51		1,001,010
Less than 30 days past due	.3	_	-	3
At least 30 days but less than 60 days past due	30	-	_ .	30
At least 60 days but less than 90 days past due				
At least 90 days past due	12	-	2	-
Total past due assets not impaired	33:	-	_	33
Individually impaired assets				
Balance at beginning of the year			32,824	32,824
Additions	.7	2,682	615	3.304
Amounts written off	_	-	_	•
Deletions	-	-		÷
Total individually impaired assets	7	2,682	33,439	36,128
Total gross loans and advances	100	656,443	931,491	1,588,034
Individually assessed provisions				
Balance at beginning of the year	-	-	10,236	10,236
Charge/(credit) to the statement of comprehensive income:				
New provisions	2	13	6,159	6,174
Reversals of previously recognised impairment losses	-	-		
Amounts recovered	- .	-	٦.	_
Amounts written off	-	_	_	_
Balance at end of the period	2	13	16,395	16,410
Collectively assessed provisions	· · ·			
Balarice as at 31 December 2017	22	848	5,504	6,374
Changes on initial application of IFRS 9	(8)	1,243	(2,024)	(789)
Balance at beginning of the year	14	2,091	3,480	5,585
Charge (credit) to the statement of comprehensive income	(8)	1,046	637	1,675
Other movements	-	-	*	_
Balance at end of the period	6	3;137	4,117	7,260
Total provisions for impairment losses	-8	3,150	20,512	23,670
Total net loans and advances	92	653,293	910,979	1,564,364
Undrawn lending commitments Collectively assessed provisions				
Balance at beginning of the year	2	-	1,708	1,710
Charge (credit) to the statement of comprehensive income	1	-	(258)	(257)
Balance as at end of the period	3	-	1,450	1,453

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 June 2018 (30 June 2017; nil, 31 December 2017; nil). Therefore, the Bank does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were \$335,595K as at 30 June 2018 (30 June 2017; \$253,243K, 31 December 2017; \$412,642K).

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the period ended 30 June 2018 (30 June 2017; nil, 31 December 2017; nil).

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

Note 9 – Asset Quality (continued)

Unaudited 30 June 2017	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	40	255,979	680,442	936,461
Past due assets not impaired				
Less than 30 days past due	15	2,473	~	2,488
At least 30 days but less than 60 days past due	11	-	-	-11
At least 60 days but less than 90 days past due	2	-	-	2
At least 90 days past due	3			3
Total past due assets not impaired	31	2,473	*	2,504
Individually Impaired assets				
Balance at beginning of the year	-	-	· -	*
Additions	-	1,071	-	1,071
Amounts written off	-	•	-	-
Deletions	-		-	.;-
Total individually impaired assets	-	1,071		1,071
Total gross loans and advances	71	259,523	680,442	940,036
Individually assessed provisions				
Balance at beginning of the year	-	-	•	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	175	-	175
Reversals of previously recognised impairment losses	(3)	-	-	(3)
Amounts recovered	3	-	-	3
Amounts written off				
Balance at end of the year		175	w	175.
Collectively assessed provisions				
Balance at beginning of the year	10	303	3,745	4,058
Charge (credit) to the statement of comprehensive income	5	224	971	1,200
Other movements			<u>-</u> -	
Balance at end of the year	15	527	4,716	5,258
Total provisions for Impairment losses	15	702	4,716	5,433
Total net loans and advances	56	258,821	675,726	934,603

Note 9 - Asset Quality (continued)

Audited 31 December 2017	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars	40.	437.925	04E 070	4.052.040
Total neither past due nor impaired	48	437,820	815,276	1,253,249
Past due assets not impalred	7			7
Less than 30 days past due	7 27	•	•	7 27
At least 30 days but less than 60 days past due		*	-	
At least 60 days but less than 90 days past due	10.	-	-	10.
At least 90 days past due	-	-		- 44
Total past due assets not impaired	44	-		44_
Individually impaired assets				
Balance at beginning of the year	•	-		
Additions	ند	1.7	32,824	32,841
Amounts written off	-	(17)	-	(17)
Deletions			-	
Total Individually impaired assets	•	•	32,824	32,824
Total gross loans and advances	92	437,925	848,100	1,286,117
Individually assessed provisions				
Balance at beginning of the year	-			-
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	17	10,236	10,253
Reversals of previously recognised impairment losses	-6	-	-	6
Amounts recovered	(6)	-	-	(6)
Amounts written off	•	(17)	-	(17)
Balance at end of the period	-	-	10,236	10,236
Collectively assessed provisions				
Balance at beginning of the year	10	303	3,745	4,058
Charge (credit) to the statement of comprehensive income	12	545	1,759	2,316
Other movements	-	-	æ	-
Balance at end of the period	22	848	5,504	6,374
Total provisions for impairment losses	22	848	15,740	16,610
Total net loans and advances	70	437,077	832,360	1,269,507

Note 10 - Balances with Related Entity

A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Amounts due from ultimate parent	31,091	5,213	12,605
Amount due from controlled entities of ultimate parent	· ·	_	· · · ·
Total amount due from related entities	31,091	5,213	12,605
Current	31,091	5,213	12,605
Non-Current	<u>-</u>		- _
Amounts due to ultimate parent	1,124,654	383,417	685,362
Amount due to controlled entities of ultimate parent	m	_	-
Total amount due to related entities	1,124,654	383,417	685,362
Current	690,346	117,497	208,801
Non-Current	434,308	265,920	476,561
Off Balance sheet transactions			
Due from parent	i .	495.	3,222
Due to parent	-	476	3,115
Due from controlled entities of ultimate parent	628	<u>-</u>	1,730
Due to controlled entities of ultimate parent	586		1,653

^{1.} Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2018 is \$9,848K (30 June 2017: \$4,731K, 31 December 2017: \$3,284K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

B. Related party transactions

s. Related party transactions			
Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Interest income on amount due from related entitles			
Ultimate parent	178	18	96
Subsidiaries of ultimate parent	-		-
Total Interest income on amount due from related entities	178	18.	96
Interest expense on amount due to related entitles			
Ultimate parent	6,052	5,098	11,062
Subsidiaries of ultimate parent	-	-	•
Total interest expense on amount due to related entities	6,052	5,098	11,062
Other operating income			
Ultimate parent	. .	(402)	(550)
Subsidiaries of ultimate parent	-	.75	75
Other operating expense			
Other operating expense paid to ultimate parent	٤		(28)

Interest payable to parent as at 30 June 2018 was \$4,166K (30 June 2017; \$1,109K, 31 December 2017; \$3,318K), and interest payable to subsidiaries of the ultimate parent was nil (30 June 2017; nil, 31 December 2017; nil). This is included in interest payable balance and interest paid expense.

Interest receivable from parent as at 30 June 2018 was \$3K (30 June 2017; \$8K, 31 December 2017; nil). This is included in interest receivable balance and interest income.

Parent includes ICBC Head Office and other branches.

^{2,} ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC (NZ) Vostro account was NZ\$655M as at 30 June 2018 (30 June 2017; NZ\$109M, 31 December 2017; NZ\$209M), which includes a large payment of NZ\$612m on 29 June 2018.

^{3.} On 2 February 2018, ICBC (NZ) issued another NZ\$35m 5-years subordinated loan to ICBC Head Office (note 8 and 19). The accrued interest of subordinated loan is NZ\$492K as at 30 June 2018 (30 June 2017; nil, 31 December 2017; \$106K).

Note 10 - Transactions with Related Parties (continued)

There is no loan guaranteed by related parties (30 June 2017; \$17,060K, 31 December 2017; nil).

As at 30 June 2018 the Bank entered into a risk participation agreement with the Hong Kong branch of ICBC. There are total of NZ\$169,476K loans transferred to ICBC, Hong Kong branch (30 June 2017; \$33,523K, 31 December 2017; \$103,523K).

On 22 June 2018 the Bank entered into a risk participation agreement with the Sydney branch of ICBC. The agreement had the commercial effect of transferring the Bank's rights and risks of NZ\$12,000K to ICBC, Sydney branch.

C. Senior management compensation

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Salaries and other short-term benefits	925	868	1,746
Other benefits		· <u>-</u>	<u>-</u> ·
Total key management compensation	925	868	1,746

D. Guarantees

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

As at 31 March 2018, 68.11% of total shares in ICBC were owned by the Chinese government. The remaining 31.89% of the shares in ICBC were held by the public, ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

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

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

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

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

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

Note 11 - Concentration of Credit Risk

The following table breaks down the Bank's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows. For further details on how credit risk is managed and for On Balance Sheet and Off Balance Sheet credit exposure details, refer to notes 19.

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Government	489,469	52,193	81,263
Finance (including banks)	506,454	195,549	402,123
Households	657,831	260,134	438,911
Transport and storage	40,182	72,750	37,138
Communications	5,082	15,097	15,096
Electricity, gas and water	51,792	48,660	54,301
Construction	205,490	79,509	167,874
Property services	191,815	107,648	126,881
Agriculture	6,107	6,107	6,107
Forestry, fishing and mining	159,539	175,489	151,573
Health and community services	40,010	<u>.</u>	38,978
Personal and other services	-	23	-
Retail and wholesale trade	60,529	77,454	60,308
Manufacturing	61,547	7,020	46,868
Administration and support services	43,068	42,379	44,040
Less; allowance for impairment provisioning	(23,672)	(5,433)	(16,610)
Total financial assets	2,495,243	1,134,579	1,654,851
Less: non-interest earning financial assets	(21,195)	(19,773)	(23,516)
Total interest earning and discount bearing financial assets	2,474,048	1,114,806	1,631,335

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

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
New Zealand			
North Island	2,091;332	948,349	1,356,903
South Island	11,558	6,073	6,075
Overseas			
China	370,345	139,029	262,299
USA	6,532°	7,381	16,973
Singapore	41:	444	400
Hong Kong	4,261	25,744	1,867
Aŭstralja	3,465	935	2,192
Europe ⁻	6,537	6,624	6,741
Other countries	1,172	-	1,401
Total financial assets	2,495,243	1,134,579	1,654,851

Note 11 - Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Loans and advances to customers	1,564,364	934,603	1,269,507
Trade and Other Receivables	u -	-	-
Other financial assets	4,480	3,233	3,664
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	1,568,844	937,836	1,273,171
Cash and cash equivalents	484,728	41,150	328,294
Amounts due from related parties	31,091	5,213	•
Due from other financial institutions	361,885	102,360	12,605
Financial assets held for trading	-	-	
Financial securities	41,992	47,445	40,226
Available-for-sale assets	-	-	-
Derivative financial instruments	6,387	255	273
Loans and advances to customers	-	-	•
Tax Receivable	н	-	-
Other financial assets	316	320	282
Total on Balance Sheet Credit Exposures	2,495,243	1,134,579	1,654,851
Off Balance Sheet Exposures	335,596	260,401	436,017
Total Off Balance Sheet Credit Exposures	335,595	260,401	436,017

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

58,42% of the Bank's mortgage portfolio is owner-occupied residential properties (30 June 2017: 64.44%, 31 December 2017: 65,02%).

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 June 2017; nil, 31 December 2017; nil).

Note 11 - Concentration of Credit Risk (continued)

(i) Credit exposure to individual counterparties

The Bank's disclosure of concentrations of credit exposures to individual counterparties and groups of closely related counterparties is based on actual credit exposures and excludes credit exposures to connected persons; the central government or central bank of any country with a long-term credit rating of A- or A3 or above, or its equivalent, and excludes supranationals or quasi-sovereign agencies with a long-term credit rating of A- or A3 or above, or its equivalent.

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 Common Equity Tier One Capital as at the reporting date.

Peak End of Day Credit Exposures

During the 6 months period ended 30 June 2018 Number of Bank Counterparties

		Number of Bank (Journerparties
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-
1 5% - 19%	-	-	-
20% - 24%	-	- .	. **
25% - 29%	2	-	
30% - 34%		-	*
35% - 39%	-	-	-
40% - 44%	-	-	-
45% - 49%	2	-	-
50% - 54%	-	-	
55% - 59%	•	_	-
60% - 64%	-	-	-
65% - 69%	-	-	
70% - 74%	-	-	-
75% - 79%	-	-	-
80% - 84%	-	-	-
85% - 89%	-	-	-
90% - 95%	1	-	-

Peak End of Day Credit Exposures

Unaudited During the 6 months period ended 30 June 2018 Number of Other Counterparties

Percentage of Common Equity Tier One Capital	"A" Rated:	"B" Rated	Unrated
10% - 14%		-	3
15% - 19%	-		6
20% - 24%		-	5
25% - 29%		1	41
30% - 34%	·	-	2
35% - 39%	-	-	2
40% - 44%		-	-
45% - 49%	-	-	1
50% - 54%		_	-
55% - 59%	-	-	-
60% - 64%		_	
65% - 69%	**.	_	

¹ One loan classified within the 25%-29% category is 97,68% collateralised by cosh deposits.

Note 11 - Concentration of Credit Risk (continued)

Credit Exposures as at Reporting Date

Unaudited As at 30 June 2018 Number of Bank Counterparties

Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-
15% - 19%	-	-	-
20% - 24%		-	-
25% - 29%	-	-	-
30% - 34%	•	-	-
35% - 39%	-	-	-
40% - 44%	-	•	-
45% - 49%	.2	•	-
50% - 54%	-	-	-
55% - 59%	<u>=</u>	·-	-
60% - 65%	1	-	-

Credit Exposures as at Reporting Date Unaudited As at 30 June 2018

Number of Other Counterparties

Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated
10% - 14%		-	2
15% - 19%	ነ	-	6
20% - 24%	•	-	6
25% - 29%	-	•	3 ¹
30% - 34%	-	_	2
35% - 39%		-	2
40% - 44%	-	-	-
45% - 49%	-	,	1
50% - 54%	-	-	*
55% - 59%	-	-	-
60% - 64%		-	-
65% - 70%	-	-	

The Bank had no cental government, central bank, supranational or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregated credit exposure, as at 30 June 2018, and peak end-of-day aggregate credit exposure, for the six months ended 30 June 2018, equalled or exceeded 10% of the Bank's Common Equity Tier One Capital..

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

¹ One loan classified within the 25%-29% category is 97.70% collateralised by cash deposits.

Note 12 - Concentration of Funding

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

Thousands of dollars	Unaudited 30 June 2018 \$1000	Unaudited 30 June 2017 \$'000	Audited 31 December 2017 \$'000
New Zealand		V 000	4 000
Transport and storage	15,457	-	103,276
Financing investment and insurance	572,170	391,308	375,490
Electricity, gas and water	-1.	-	-
Food and other manufacturing	2,736	7,616	6,221
Construction	5,171	954	434
Communication	10	10	10
Government, local authorities and services	122,916	•	55,850
Agriculture	-	404	74
Forestry	76,622	92,797	75,188
Health and community services	-	99	106
Personal and other services	-	-	-
Property and business services	53,642	5,508	16,840
Education	-	-	
Retail and wholesale trade	3,475	1,862	9,867
Other	9,642	5,252	6,987
Households	60,518	37,028	40,821
Overseas			
Amounts due to related parties	1,215,685	384,526	740,289
Financing investment and insurance (not including ICBC group)	43,941	35,035	23,684
Household	89,859	30,412	63,547
Other deposits	2,600	912	1,701
Total financial liabilities	2,274,445	993,723	1,520,385
Less: non-interest bearing financial liabilities	(91,617)	(69,613)	(89,983)
Total interest and discount bearing liabilities	2,182,828	924,110	1,430,402

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

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Deposits from customers	480,766	255,606	419,520
Registered Banks	1	1	4
Derivative financial liabilities	819	203	316
Financial Investors	-	-	
Certificates of deposit	112,845	49,703	54,679
Subordinated loans due to related parties	70,000	·-	35,000
Debts securities issued	465,453	295,479	311,305
Related Parties	1,124,654	383,417	685,362
Other	19,907	9,314	14,202
Total financial liabilities	2,274,445	993,723	1,520,385

Note 13 - Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Performance/financial guarantees issued on behalf of customers	16,631	7,158	23,376
Total contingent liabilities	16,631	7,158	23,375
Undrawn Commitments	335,595	253,243	412,642

Note 14 - Subsequent Events after Balance Sheet Date

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

Note 15 - Dividend

During the 6 months ended 30 June 2018 the Bank has not paid any dividends to its shareholder (30 June 2017; nil), 31 December 2017; nil).

Note 16 - Fair Value of Financial Instruments

Unaudited 30 June 2018

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	484,728	484,728
Amounts due from related parties	31,091	31,091
Due from banks and other financial institutions	361,885	361,885
Financial assets designated at fair value through profit or loss	-	-
Financial securities	41,992	42,272
Available-for-sale assets	-	-
Derivative financial assets	6,387	6,387
Loans and advances to customers	1,564,364	1,565,502
Other financial assets	4,796	4,796
Total financial assets	2,495,243	2,496,661
Financial liabilities		
Due to central banks and other financial institutions	1	đ
Amounts due to related parties	1,124,654	1,124,293
Financial liabilities held for trading		i de
Derivative financial liability	819	819
Deposits from customers	480,766	480,411
Certificates of deposit	112,845	112,754
Subordinated loans due to related parties	70,000	70,000
Debt securities issued	465,453	465,095
Other financial liabilities	19,907	19,907
Total financial liabilities	2,274,445	2,273,280

Note 16 – Fair Value of Financial Instruments (continued)

Unaudited 30 June 2017

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets	3,1,2311,	
Cash, cash equivalents and balances with central banks	41,150	41,150
Amounts due from related parties	5,213	5,213
Due from banks and other financial institutions	102,360	102,360
Financial assets designated at fair value through profit or loss	-	
Financial securities	47.445	47,529
Available-for-sale assets	· -	-
Derivative financial assets	255	255
Loans and advances to customers	934,603	935,267
Other financial assets	3,553	3,553
Total financial assets	1,134,579	1,135,327
Financial liabilities		
Due to central banks and other financial institutions	1	71
Amounts due to related parties	383,417	383,428
Financial liabilities held for trading	~	-
Derivative financial liability	203	203
Deposits from customers	255,606	255,817
Certificates of deposit	49,703	49,703
Subordinated loans due to related parties	-	. ••.
Debt securifies issued	295,479	295,211
Other financial liabilities	9,314	9,314
Total financial liabilities	993,723	993,677

Audited 31 December 2017

Thousands of dollars	Carryîng amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	328,294	328,294
Amounts due from related parties	12,605	12,605
Due from banks and other financial institutions	•	-
Financial assets designated at fair value through profit or loss	-	-
Financial securities	40,226	40,395
Available-for-sale assets	· -	-
Derivative financial assets	273	273
Loans and advances to customers	1,269,507	1,270,304
Other financial assets	3,946	3,946
Total financial assets	1,654,851	1,655,817
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	685,362	684,078
Financial liabilities held for trading	· •	-
Derivative financial liability	316	316
Deposits from customers	419,520	419,433
Certificates of deposit	54,679	54,679
Subordinated loans due to related parties	35,000	35,000
Debt securities issued	311,305	311,022
Other financial liabilities	14,202	14,202
Total financial flabilities	1,520,385	1,518,731

Note 16 - Fair Value of Financial Instruments (continued)

Fair value Assumptions

- i. The carrying value of cash and cash equivalents is the fair value.
- lì. For an demand and deposits from customers maturing within six months, due from/to other financial institutions, the carrying value is considered to be the fair value; for those categories with maturities more than six months, the fair value. is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- iii. The carrying value of loans and advances to customers is net of allowance for impairment loss. For loans and advances to customers maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value are calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- iv. For amounts due from/to related parties and debt securities maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- The fair value of derivative financial instruments is determined by a discounted cash flow basis, which is based on the interest rate repricing and maturity of the instruments.
- The fair value of financial securities is determined by reference to the average of quoted bid and offer price as at the νí. reporting date.
- νiì, The carrying value of other financial assets and liabilities is considered to be the fair value, as they are short term in nature or are receivable or payable on demand.

K. Fair Value Measurements Recognised in the Balance Sheet

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

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

Thousands of			idited e 2018			Unau 30 Jun				Aud 31 Decem		
dollars	Level	1 Level 2	Level 3	Total	Level 1	Level 2	Level 3.	Total	Level 1		Level 3	Total
Financial assets Derivative financial assets Financial		- 6,387		6,387	_	255	-	255	-	273	-	27,3
liabilities Derivative financial Ilabilities		- 819		819		203	,	203	ы	316		316
Fair value measu	rements	not recogn Unau 30 June	dited	ie balance	sheet²	Unau 30 Jun				Aud 31 Decem		
dollars	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets Financial securities Loans and advances to customers	-	42,272 1,565,502		42,272 1,565,502	-	47;445 934:603		47,445 934.603	-	40,395 1,270,304	.	40,395 1,270,304
Total	<u></u>	1,607,774		1,607,774		982,048		982,048		1,310,699		1,310,699
Financial Ilabilities Amounts due to			· · · · · · · · · · · · · · · · · · ·			·	<u> </u>	·	- _	1,410,055		•
related parties Deposits from	-	1,124,293	-	1,124,293	-	383,417	-	383,417	-	684,078	-	684,078
customers Debt securities	-	480,411		480,411	-	255,606	•	255,606	-	419,433	-	419,433
issued	_	465,095	-	465,095	å	295,479		295,479	-	311,022		311,022

² Fair values, where the carrying amount is not considered a close approximation of fair value.



Note 17 - Liquidity Risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the needs of asset growth or repayment of debts due, although remaining solvent.

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

- 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,

Due to the change of disclosure requirements by Reserve Bank, the maturity analysis of financial assets is not required; comparatives have been restated. The tables below summarise the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows and include both principal and associated future interest payments and therefore will not agree to the carrying values on the balance sheet. Actual cash flows can differ significantly from contractual cash flows as a result of future events.

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

Unaudited 30 June 2018	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	=	.44	·-	1,
Amounts due to related parties	654,861	38,115	5,874	449,534	-	1,148,384
Financial liabilities held for trading	-	~	-	-	.=	-
Deposits from customers	78,724	205,061	132,747	71,780	+	488,312
Certificates of deposit	-	85,000	29,000			114,000
Subordinated loans due to related parties	.	478	1,490	77,366	-	79,334
Debt securities issued	-	4,038	31,173	466,568	<u>-</u>	501,779
Other financial liabilities	141	146	3,269	489	1,454	5,499
Total financial liabilities	733,727	332,838	203,553	1,065,737	1,454	2,337,309
Derivative cash flows						
Inflows from derivatives	-	204,151	2,372	5,424	-	211,947
Outflows from derivatives	-	(198,785)	(1,656)	(5,522)	-	(205,963)
Total	-	5,366	716	(98)	-	5,984
Off balance sheet cash flows						
Financial guarantees outflows	13,542	**	2,950	139	-	16,631
Commitments outflows	332,153	441	1,036	1,965		335,595
Total	345,695	441	3,986	2,104		352,226

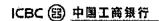
Note 17 - Liquidity Risk (continued)

Unaudited 30 June 2017	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	109,337	1,739	13;334	277,497	-	401,907
Financial liabilities held for trading	*	-	-	~	-	•
Deposits from customers	65,570	60,460	29,289	105,425	-	260,744
Certificates of deposit	-	50,000	-	-	-	50,000
Debt securities issued	-	1,744	131,179	180,330	-	313,253
Other financial liabilities	22	94	2,739	580	_	3,435
Total financial liabilities	174,930	114,037	176,541	563,832		1,029,340
Derivative cash flows						
Inflows from derivatives	-	193	1,640	171	=	2,004
Outflows from derivatives	-	(395)	(1,313)	(324)	ni.	(2,032)
Total	*	(202)	327	(153)	-	(28)
Off balance sheet cash flows					- -	
Financial guarantees outflows	-	(37)	(4,032)	(3,089)	#	(7,158)
Commitments outflows	(246,303)	(795)	(1,525)	(4,620)	<u></u>	(253,243)
Total	(246,303)	(832)	(5,557)	(7,709)		(260,401)

Note 17 - Liquidity Risk (continued)

Audited 31 December 2017	On. Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	μ.	-	-	u·	1
Amounts due to related parties	208,873	2,387	5,715	497,209		714,184
Financial liabilities held for trading	_	-	-	-	_	
Deposits from customers	79,035	171,758	79,112	96,452	-	426,357
Certificates of deposit	-	55,000		-,	-	55,000
Subordinated loans due to related parties	-	-	964	38,857		39,821
Debt securities issued	-	2,317	25,616	305,105	-	333,038
Other financial liabilities	95	146	2,853	531	-	3,625
Total financial liabilities	288,004	231,608	114,260	938,154	-	1,572,026
Derivative cash flows						
Inflows from derivatives	÷	7,417	4,984	6,635	-	19,036
Outflows from derivatives		(7,403)	(4,311)	(6,683)	-	(18,397)
Total	4	14	673	(48)	-	639
Off balance sheet cash flows						
Financial guarantees outflows	(20,206)	<u> -</u>	- ·	(3,169)	*	(23,375)
Commitments outflows	(408,268)	(697)	(1,169)	(2,508)	-	(412,642)
Total	(428,474)	(697)	(1,169)	(5,677)	~	(436,017)

Liquidity portfolio management	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Thousands of dollars	\$'000	\$'000	\$'000
Cash, cash equivalents and balances with central banks	484,728	41,150	328,294
Amounts due from related parties	10,467	-	-
Due from banks and other financial institutions	361,885	102,360	-
Financial securities	41,992	47,445	40,226
Total liquidity portfolio	899,072	190,955	368,520



Note 18 - Interest Rate Risk

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

- Regularly monitoring the macroeconomic factors that may have impact on the benchmark interest rates;
 Optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interestbearing 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 demonstrates the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities:

Unaudited 30 June 2018	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
Thousands of collars		•	• • •				
Financial assets			·				
Cash, cash equivalents and balances with central banks	10,169	474,559	-	-	-	· -	484,728
Amounts due from related parties		31,091	-	*	-	-	31,091
Due from banks and other financial institutions	-	361,885.	-	-	-	•	361,885
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	÷
Financial securities	-	4,480	-	•	21,497	16,015	41,992
Available-for-sale assets	-	-			-	-	•
Derivative financial assets	6,387		-	-	-		6,387
Loans and advances to customers	-	998,584	109,881	299,201	154,223	2,475	1,564,364
Other financial assets	4,639	-	-	-	157		4,796
Total financial Assets	21,195	1,870,599	109,881	299,201	175,877	18,490	2,495,243
Financial liabilities				<u> </u>			
Due to central banks and other financial institutions	-	4	-	, -	-	~	1
Amounts due to related parties	· -	975,362	33,518	-	71,512	44,262	1,124,654
Financial liabilities held for trading	-	-	-	=	-	-	-
Derivative financial liability	819	-	-				819
Deposits from customers	70,891	249,838	53,705	57,099	49,173	60	480,766
Certificates of deposit	-	84,306	24,652	3,887	-	-	112,845
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	.44	421,998	-	-	-	43,455	465,453
Other financial fiabilities	19,907	-	-		٠.		19,907
Total financial liabilities	91,617	1,766,505	146,875	60,986	120,685	87,777	2,274,445
On-balance sheet gap	(70,422)	104,094	(36,994)	238,215	55,192	(69,287)	220,798
Net derivative notional principals	-	3,200	•	-	<u>:</u>	(3,200)	-
Net effective interest rate gap	(70,422)	107,294	(36,994)	238,215	55,192	(72;487)	220,798

Note 18 – Interest Rate Risk (continued)

Unaudited 30 June 2017	Non- interest bearing	Úp 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
Thousands of dollars:							
Financial assets		······································					
Cash, cash equivalents and balances with central banks	16,122	25,028	•		-		41,150
Amounts due from related parties	-	5,213	-		-	-	5,213
Due from banks and other financial institutions Financial assets designated at fair value	-	102,360	-	-	-	-	102,360
through profit or loss	-	: <u>-</u>	÷		•	-	-
Financial securities	-	11,460	Ŧ	-	-	35,985	47,445
Available-for-sale assets	-		-		_	-	-
Derivative financial assets	255		-	-	-		255
Loans and advances to customers	-	714,515	56,588	45,020	117,409	1,071	934,603
Other financial assets	3,396	_		-	-	157	3,553
Total financial Assets	19,773	858,576	56,588	45,020	117,409	37,213	1,134,579
Financial liabilities						•	
Due to central banks and other financial institutions	-	1.	•	-	-	~	1
Amounts due to related parties	-	357,145	-	-	:-	26,272	383,417
Financial liabilities held for trading	4	-	-	•	-	-	-
Derivative financial liability	203	-	-	· -	- ,	-	203
Deposits from customers	60,096	123,995	13,849	10,381	46,487	798	255,606
Certificates of deposit	-	49,703	-	M	-	.	49,703
Subordinated loans due to related parties		-	-	•	_	-	
Debt securities issued	-	160,509	100,000	-	-	34,970	295,479
Other financial liabilities	9,314	. 7	-		-	-	9,314.
Total financial liabilities	69,613	691,353	113,849	10,381	46,487	62,040	993,723
Оп-balance sheet gap	(49,840)	167,223	(57,261)	34,639	70,922	(24,827)	140,856
Net derivative notional principals	-	(19,800)	25,000	(2,000)	-	(3,200)	-
Net effective interest rate gap	(49,840)	147,423	(32,261)	32,639	70,922	(28,027)	140,856

Note 18 - Interest Rate Risk (continued)

Audited 31 December 2017	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
Thousands of dollars				•		·	
Financial assets							
Cash, cash equivalents and balances with central banks	19,454	308,840	-	-	•	÷	328,294
Amounts due from related parties	-	12,605	-	-	-	*.	12,605
Due from banks and other financial institutions Financial assets designated at fair value	•	-		-	**	-	-
through profit or loss	-	-	-	-		·-	-
Financial securities		4,476		-	5,000	30,750	40,226
Available-for-sale assets	*	-	<u>-</u>	-	-	-	_
Derivative financial assets	273	-	-	*	-	-	273
Loans and advances to customers	-	851,041	33,467	193,989	190,060	950	1,269,507
Other financial assets	3,789		_		157	-	3,946
Total financial Assets	23,516	1,176,962	33,467	193,989	195,217	31,700	1,654,851
Financial liabilities							
Due to central banks and other financial institutions	-	1			-	-	1
Amounts due to related parties	-	505,271	32,824		21,141	126,126	685,362
Financial liabilities held for trading	-	-	•	_	-	-	
Derivative financial liability	316		•	-	-	-	316
Deposits from customers	75,465	212,395	36,621	16,498	77,766	775	419,520
Certificates of deposit	-	54,679	-	•	-	-	54,679
Subordinated loans due to related parties	-	-	35,000	÷	_	-	35,000
Debt securities issued	-	276,195	-	-	-	35,110	311,305
Other financial liabilities	14,202	-	-	_	•	-	14,202
Total financial liabilities	89,983	1,048,541	104,445	16,498	98,907	162,011	1,520,385
On-balance sheet gap	(66,467)	128,421	(70,978)	177,491	96,310	(130,311)	134,466
Net derivative notional principals		5,200	(2,000)	-		(3,200)	
Net effective interest rate gap	(66,467)	133,621	(72,978)	177,491	96,310	(133,511)	134,466

Note 19 - Capital Adequacy

(a) Issued Capital

The Bank had 233,539,975 fully paid up ordinary shares (tier one capital) issued at NZ \$1 per share as at 30 June 2018.

A further capital injection of NZ\$88,080K was received from ICBC on 28th June 2018 and subsequently additional shares were issued making the total share capital NZ\$233,540K. (30 June 2017; NZ\$145,460K, 31 December 2017; NZ\$145,460K).

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

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

(b) Other Classes of Capital Instrument

On 2 February 2018, the Bank issued subordinated loan of NZ\$35m ("The loan") to ICBC Head Office. The loan is subordinated, unsecured loan of the Bank, and will matured on 2 February 2023.

On 23 November 2017, the Bank issued subordinated loan of NZ\$35m ("The loan") to ICBC Head Office. The loan is subordinated, unsecured loan of the Bank, and will matured on 23 November 2022.

The loan issued by the Bank qualifies for Tier 2 capital instruments subject to phase-out in accordance with BS2A, and the allowance for tax in accordance with section 10f(5) of subpart 2F under BS2A. (On 23 November 2017)

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

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

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios as at 30 June 2018, 30 June 2017, and 31 December 2017. The Bank has complied with both regulatory and internal capital adequacy requirements.

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

(c) Tier one and two Capital

Thousands of dollars	30 June 2018	30 June 2017	31 December 2017
Tier one capital			
Common Equity Tier one capital			
Issued and fully paid up share capital	233,540	145,460	145,460
Retained earnings Accumulated other comprehensive income and other disclosed reserves	(5,375)	(2,992)	(6,165)
Interest from Issue of ordinary shares	-	-	-
Less:	-		-
Goodwill and other intangible assets	ے	-	·
Regulatory adjustments	•		<u>-</u>
Deferred tax assets	(7,923)	(1,553)	(5,538)
Total common equity tier one capital	220,242	140,915	133,757
Additional Tier one capital			
High-quality capital	-	•	-
Instruments issued	**	•	-
Share premium from issue of instruments	-	-	-
Associated retained earnings	-	wi.	-
Less: Regulatory adjustments	-		
Total additional tier one capital			_
Total tier one capital	220,242	140,915	133,757
Tier two capital		<u> </u>	
Instruments issued by bank	70,000	-	35,00Ó
Share premium from issue of instruments	_	.	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	*	_	·-
Less: Regulatory adjustments		-	
Total tier two capital	70,000	-	35,000
Total capital	290,242	140,915	168,757

The Bank currently has NZ\$70M capital instruments subject to phase-out eligibility as capital in terms of RBNZ's Basel III transitional arrangement.

Note 19 - Capital Adequacy (continued)

(d) Credit Risk

30 June 2018	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	454,887	0% -		-
Public sector entities	34,312	20%	6,862	549
Banks rating grade 1	419,724	20%	83,945	6,715
Banks rating grade 2 (≤3 months)	20,315	20%	4,063	325
Banks rating grade 2 (>3 months)	4,965	50%	2,483	199
Banks rating grade 3 (≤3 months)	-	20%	· -	-
Banks rating grade 3 (>3 months)	-	100%	_	_
Banks rating grade 4 (≤3 months)	-	_	_	-
Banks rating grade 4 (>3 months)	-	-	_	-
Banks unrated (≤3 months)	-	20%		-
Banks unrated (≈3 months)	7;021	50%	3,511	281
Corporate-without recognised mitigation	825,460	100%	825,460	66,037
Corporate-secured by collateral	63,991	20%	12,798	1,024
Corporate-guaranteed	-	.4	عر	<u></u>
Residential mortgages (owner occupied) not past due -LVR up to 80%.	378,988	35%	132,646	10,612
Residential mortgages (investment) not past due -LVR up to 80%.	271,636	40%	108,654	8,692
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied).	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)		70%	-	•
Past due residential mortgages	2,669	100%	2,669	213
Other past due assets	-	<u> -</u>	÷	-
Equity holdings (not deducted from capital) that are publicly traded	-		-	
All other equity holdings (not deducted from capital)	•	*	•	
Other assets	21,309	100%	21,309	1,705
Total on balance sheet exposures after credit risk mitigation	2,505,277	-	1,204,400	96,352

Note 19 - Capital Adequacy (continued)

30 June 2018 Calculation of off-balance-sheet exposures	Total exposure \$'000	Credit Conversion Factor %	Credit equivalent amount \$'000	Average Risk weight %	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
Direct credit substitute	•		-	-	-	
Asset sale with recourse	-	-	-	•	-	
Forward asset purchase	-	-	.	-	-	-
Commitment with certain drawdown	₩.	<u>=</u>	-	•	-	<u> </u>
Note issuance facility	-	-		-	-	-
Revolving underwriting facility	-	-	:=.	-	-	-
Performance-related contingency	3,089	50%	1,545	100%	1,545	123
Trade-related contingency	13,542	20%	2,708	100%.	2,708	217
Placements of forward deposits	÷,	-	~	-	-	_
Other commitments where original maturity is more than one year	290,794	50%	145,397	100%	145,397	11,632
Other commitments where original maturity is more than one year	40,000	50%	20,000	20%	4,000	320
Other commitments where original maturity is less than or equal to one year	4,801	20%	960.	100%	960	77
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice		-	*	٤	-	· -
Market related contracts						
(a) Foreign exchange contracts	203,802	1%	2,038	100%	2,038	163
(b) Interest rate contracts (exposure less than 1 year)	-	0%	-	_		-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	117,200	0.50%	586	100%	586	47
Interest rate contracts (exposure more than 5 years)	-	-	-	<u> </u>	7	-
(c) Other - OTC, etc.	-	-	-	÷	-	,
Total off-balance sheet exposures	673,228	-	173,234	-	157,234	12,579

Note 19 - Capital Adequacy (continued)

30 June 2017 Calculation of on-balance-sheet exposures	Total exposure after credit risk mitigation \$'000	Risk weight %	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
Cash and gold bullion	-	·-	-	-
Sovereigns and central banks Multilateral development banks and other international	17,208	0%	-	-
organisation	0.4 202	-	-	cro
Public sector entitles	34,785	20%	6,957	556
Banks rating grade 1	150,226	20%	30,045	2,403
Banks rating grade 2 (≤3 months)	4,731	20%	946	76
Banks rating grade 2 (>3 months)	2,949	50%	1,474	118
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	-		-
Banks rating grade 4 (>3 months)	-	-	-,	
Banks unrated (≤3 months)	5,098	20%	1,020	82
Banks unrated (>3 months)	17,028	50%	8,514	681
Corporate-without recognised mitigation	559,884	100%	559,884	44,791
Corporate-secured by collateral	79,986	20%	15,997	1,280
Corporate-guaranteed	_	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	165,730	35%	58,006	4,640
Residential mortgages (investment) not past due -LVR up to 80%.	92,091	40%	36,836	2,947
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	1,000	50%	500	40
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	- ,	•
Past due residential mortgages	-	-	÷	-
Other past due assets	·-		-	-
Equity holdings (not deducted from capital) that are publicly traded	**	¥	-	-
All other equity holdings (not deducted from capital)	•	~	-	-
Other assets	6,473	100%	6,473	518
Total on balance sheet exposures after credit risk mitigation	1,137,189	*	726,652	58,132

Note 19 - Capital Adequacy (continued)

30 June 2017 Calculation of off-balance-sheet exposures	Total exposure \$'000	Credit Conversion Factor %	Credit equivalent amount \$'000	Average Risk weight %	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$1000
Direct credit substitute		-	_	-		-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	'- -	•	.	-
Commitment with certain drawdown		-	-	-	-	-
Note issuance facility	· <u>-</u>	-	-	-	-	
Revolving underwriting facility	_	-	-	•	-	-
Performance-related contingency	7,158	50%	3,579	100%	3,579	286
Trade-related contingency	F		-	-	-	-
Placements of forward deposits	·=.	744		-	4	-
Other commitments where original maturity is more than one year	251,115	50%	125,557	100%	125; 5 57	10,045
Other commitments where original maturity is more than one year	-	50%		20%	~	-
Other commitments where original maturity is less than or equal to one year	2,128	20%	426	100%	426	34
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	٠	~	-	-		٤
Market related contracts						
(a) Foreign exchange contracts	971	1%	10	100%	10	1
(5) Interest rate contracts (exposure less than 1 year)	67,120	0%		*	_	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	3,200	0.50%	16	100%	16	1
Interest rate contracts (exposure more than 5 years)	-	-	<u>-</u>	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	331,692	-	129,588	-	129,588.	10,367

Note 19 - Capital Adequacy (continued)

31 December 2017 Calculation of on-balance-sheet exposures	Total exposure after credit risk mitigation \$'000	Rîsk weight %	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
Cash and gold buillion	*	p	-	
Sovereigns and central banks	46,440	0%	-	-
Multilateral development banks and other international organisation.	,	-	-	~
Public sector entitles	34,551	20%	6,910	553
Banks rating grade 1	312,883	20%	62,577	5,006
Banks rating grade 2 (≤3 months)	8,684	20%	1,737	139
Banks rating grade 2 (>3 months)	13,685	50%	5,842	547
Banks rating grade 3 (≤3 months)	-	20%	и.	1
Banks rating grade 3 (>3 months)	-	100%		.**
Banks rating grade 4 (≤3 months)	<u>.</u>	-		-
Banks rating grade 4 (>3 months)	-	-	-	•
Banks unrated (≤3 months)	-	20%	-	÷
Banks unrated (>3 months)	18,588	50%	9,294	744
Corporate-without recognised mitigation	715,568	100%	715,568	57,246
Corporate-secured by collateral	63,089	20%	12,618	1,009
Corporate-guaranteed	-	-		-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	284,225	35%	99,479	7,958
Residential mortgages (investment) not past due -LVR up to 80%.	152,852	40%	61,141	4,891
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	- .	.*•
Residential mortgages not past due -LVR over 80% tess than 90% (Investment)	~	70%	_	<u> </u>
Past due residential mortgages	-	-	-	-
Other past due assets	-	100%	•	
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	u		-	-
Other assets	11,468	100%	11,468	918
Total on balance sheet exposures after credit risk mitigation	1,662,033		987,634	79,011

Note 19 - Capital Adequacy (continued)

31 December 2017 Calculation of off-balance-sheet exposures	Total exposure \$'000	Credit Conversion Factor %	Credit equivalent amount \$'000	Average Risk weight %	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
Direct credit substitute	-	<u>-</u>	-	_	-	-
Asset sale with recourse	-		-7	-	-	F
Forward asset purchase		•	. **	•		•
Commitment with certain drawdown	-	-	÷.	-	-	-
Note issuance facility	-	-	-	÷	-	-
Revolving underwriting facility	* .	-	~	-	-	+
Performance-related contingency	3,169	50%	1,584	100%	1,584	127
Trade-related contingency	20,206	20%	4,041	100%	4,041	323
Placements of forward deposits	-	-	-	-		-
Other commitments where original maturity is more than one year	350,453	50%	175,227	100%	175,227	14,018
Other commitments where original maturity is more than one year	60,000	50%	30,000	20%	6,000	480
Other commitments where original maturity is less than or equal to one year	2,189	20%	438	100%	438	35
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	2	-	-
Market related contracts						
(a) Foreign exchange contracts	9,721	1%	97	100%	97	.8
(b) Interest rate contracts (exposure less than	2,000	0%	٠		÷	
year) Interest rate contracts (exposure more than year and less than or equal to 5 years)	117,200	0.50%	586	100%	586	47
Interest rate contracts (exposure more than 5 years)	-	•	-	•	-	-
(c) Other - OTC, etc.	-	-	_	•		_
Total off-balance sheet exposures	564,938	-	211,973	_	187,973	15,038

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

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

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Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	653,294	-	*	653,294
30 June 2017				
Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	257,821	1,000	4	258,821
31 December 2017				
Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	437,077	-		437,077

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2018	30 June 2017	31 December 2017
Residential mortgage loans (as disclosed in Note 5)			
On balance sheet exposures			
Residential – owner occupied	383,497	167,233	284,751
Residential - Investment	272,946	92,290	153,174
Provisions for impairment losses on loans and advances	(3,150)	(702)	(848)
Residential mortgages by loan-to-valuation ratio	653,293	258,821	437,077
Off balance sheet exposures			<u> </u>
Total	653,293	258,821	437,077

(g) Credit risk mitigation

30 June 2018 Thousands of dollars	Total value of on-and-off- balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off- balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	
Multilateral development bank	***	-
Public sector entities	.=	
Bank	-	-
Corporate:	63,991	-
Residential mortgage	•	-
Other	<u>.</u>	
Total	63,991	<u> </u>

30 June 2017	Total value of on-and-off- balance sheet exposures covered by	Total value of on-and-off- balance sheet exposures covered by
Thousands of dollars	eligible collateral (after haircutting)	guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	_
Public sector entities	-	_
Bank	<u></u>	-
Corporate	79,986	-
Residential mortgage	<u>u</u>	-
Other		_
Total	79,986	
31 December 2017	Total value of on-and-off- balance sheet exposures covered by	Total value of on-and-off- balance sheet exposures covered by
Thousands of dollars	eligible collateral (after haircutting)	guarantees or credit derivatives
Exposure Class	, and damagy	Domatico
Sovereign or central bank	-	-
Multilateral development bank	-	<u></u>
Public sector entities	-	
Bank	-	-
Corporate	63,089	-
Residential mortgage	· -	_
Other	.	-
Total	63,089	-

(h) Operational risk capital requirement

30 June 2018

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	:55,900	4,472
30 June 2017		
	Implied risk weighted	Total operational risk
Thousands of dollars	exposure	capital requirement
Operational risk	121,400	9,712
31 December 2017		
Thousands of dollars	Implied risk weighted	Total operational risk
THOUSAINS OF BOILDS	exposure	capital requirement
Operational risk	172,575	13,806

(I) Market Risk

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

30 June 2018	End-period car	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk welghted exposure	Aggregate capital charge	lmplied risk weighted exposure	Aggregate capital charge	
Interest rate risk	73,288	5,863	95,663	7,653	
Foreign currency risk	2,625	210	14,025	1,122	
Equity risk	- .	· · ·			
Total capital requirements	75,913	6,073	109,688	8,775	

30 June 2018

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	3,178,505	1,361,634	108,931
Operational risk	-	55,900	4,472
Market risk	■.	75,913	6,073
Total	3,178,505	1,493,447	119,476

30 June 2017	End-period cap	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge	
Interest rate risk	32,600	2,608	54,650	4,372	
Foreign currency risk	1,375	110	12,600	1,008	
Equity risk	-	м.	-	-	
Total capital requirements	33,975	2,718	67,250	.5,380	

30 June 2017

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,468,881	856,240	68,499
Operational risk	-	121,400	9,712
Market risk		33,988	2,719
Total	1,468,881	1,011,628	80,930

31 December 2017	End-period cap	End-period capital charges		Peak end-to-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge	
Interest rate risk	88,475	7,078	94,863	7,589	
Foreign currency risk	1,488	119	12,600	1,008	
Equity risk	-	<u>-</u>			
Total capital regulrements	89,963	7,197	107,463	8,597	

31 December 2017

Thousands of dollars	Risk weighted exposure or Total exposure implied risk after credit risk weighted mitigation exposure Requi			
Total credit risk + equity	2,226,971	1,175,607	94,049	
Operational risk	<u> 2</u>	172,575	13,806	
Market risk	4	89,963	7,197	
Total	2,226,971	1,438,145	115,052	

Capital ratios

Regulatory Capital Ratios	Regulatory Minimum	30 June 2018	30 June 2017	31 December 2017
Common Equity Tier 1 Capital Ratio	4.50%	14.75%	13.93%	9,30%
Tier 1 Capital Ratio	6.00%	14.75%	13.93%	9.30%
Total Qualifying Capital Ratio	8.00%	19:43%	13.93%	11.73%
RBNZ required Buffer Ratio	2,50%	8.75%	5.93%	3.30%

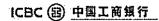
(j) Capital for Other Material Risks

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements, namely strategic risk, reputational risk and start-up business risk. Noting this, the Bank has set additional buffer at 2% (30 June 2017; 2%, 31 December 2017;2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment.

(k) Regulatory liquidity ratios

The Bank calculates liquidity ratios in accordance with RBNZ's Liquidity Policy (BS13)("BS13"). Ratios are calculated daily as required by the Bank's Conditions of Registration in relation to liquidity-risk management. The table below shows the quarterly average ratio which is produced in line with Reserve Bank rules and guideline.

	Unaudited For the 3 months ended 30 June 2018	Unaudited For the 3 months ended 31 March 2018
One-week mismatch ratio	4.37%	4.81%
One-month mismatch ratio	2.85%	4,48%
Core funding ratio	86.94%	88,36%



(I) Capital adequacy of Ultimate Parent Bank

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

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

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBIRC as at 31 March 2018, the latest reporting date.

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

	31 March 2018	31 March 2017	31 December 2017
Ultimate Parent Bank Group			
Common Equity Tier 1 Capital Ratio	12.64%	12.98%	12.77%
Tier 1 Capital Ratio	13,13%	13,51%	13,27%
Total Capital Ratio	15.09%	14.66%	15.14%
Ultimate Parent Bank			
Common Equity Tier 1 Capital Ratio	12.82%	13,06%	12.88%
Tier 1 Capital Ratio	13,25%	13.64%	13.44%
Total Qualifying Capital Ratio	15.31%	14.79%	15.39%

Note 20 - Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the Bank has become exposed since 31 December 2017.

Note 21 - Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date the Bank was not involved in:

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



Independent Review Report

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

Report on the half year disclosure statement

Conclusion

Based on our review of the interim financial statements and supplementary information of Industrial and Commercial Bank of China (New Zealand) Limited (the "Registered Bank") on pages 13 to 57, nothing has come to our attention that causes us to believe that:

- the interim financial statements do not present fairly in all material respects the Registered Bank's financial position as at 30 June 2018 and its financial performance and cash flows for the 6 month period ended on that date;
- ii. the interim financial statements (excluding the supplementary information disclosed in accordance with Schedules 5, 7, 9, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order")), have not been prepared, in all material respects, with NZ IAS 34 Interim Financial Reporting ("NZ IAS 34");
- iii, the supplementary information, does not fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 9, 13, 16 and 18 of the Order; and
- iv. the supplementary information relating to capital adequacy and regulatory liquidity requirements, has not been prepared, in all material respects, in accordance with the Registered Banks conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclose it in accordance with Schedule 9 of the Order.

We have completed a review of the accompanying half year disclosure statement which comprises:

- the interim financial statements formed of:
 - the statement of financial position as at 30 June 2018;
 - the statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended, and
 - notes, including a summary of significant accounting policies and other explanatory information.
- the supplementary information prescribed in Schedules 5, 7, 9, 13, 16 and 18 of the Order.





Basis for conclusion

A review of the half year disclosure statement in accordance with New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of the Registered Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the Registered Bank in relation to review and taxation consulting engagements. Subject to certain restrictions, partners and employees of our firm may also deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Registered Bank. These matters have not impaired our independence as auditor of the Registered Bank for this engagement. The firm has no other relationship with, or interest in, the Registered Bank.



Emphasis of matter - valuation of loan

We draw attention to Note 1(4) to the interim financial statements which describes the significant estimation uncertainty that exists in measuring the specific provision against the loan of a significant borrower Group going into voluntary administration. Due to the complexity and uncertainty around the valuation of the loan, the final provision may vary substantially from the provision recorded in the disclosure statements. Our opinion is not modified in respect of this matter.



Use of this independent review report

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



Responsibilities of the Directors for the half year disclosure statement

The Directors, on behalf of the Registered Bank, are responsible for:

- the preparation and fair presentation of the half year disclosure statement in accordance with NZ IAS 34 and Schedules 3, 5, 7, 13, 16 and 18 of the Order;
- the preparation and fair presentation of the supplementary information in regards to capital adequacy and regulatory liquidity requirements in accordance with the Registered Banks conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and Schedule 9 of the Order;
- implementing necessary internal control to enable the preparation of a half-year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the review of the half year disclosure statement

Our responsibility is to express a conclusion on the half year disclosure statement based on our review. We conducted our review in accordance with NZ SRE 2410, NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the:

- the Interim financial statements do not present fairly in all material respects the Registered Bank's financial position as at 30 June 2018 and its financial performance and cash flows for the 6 month period ended on that date;
- the interim financial statements do not, in all material respects, comply with NZ IAS 34;
- the supplementary information does not, fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements is not, prepared in all material respects, in accordance with the Registered Banks Conditions of Registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the half year disclosure statement.

KPMG Auckland

31 August 2018