INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the six months ended 30 June 2019

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 2019 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 2019 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 2019, 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. All overseas investment is required to go through an internal approval process and approval from the CBIRC.

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 2018. 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 2019, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 2,428,953 million (per first quarterly report financial - unaudited) (NZ$527,326 million), representing 15.49% 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 persons 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, are Donald Thomas Brash (Chairman, Independent Director) and Martin Philipsen (Independent Director).

The Board comprises:

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

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 2019.The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

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

For the purposes of this condition of registration, —

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" 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;

"Total capital" has the same meaning as in Part 2 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

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

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

1A. That—

(a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')" (BS12) dated December 2007;

(b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015; and

(c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That, if the buffer ratio of the banking group is 2.5% or less, the bank must:

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

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

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

(c) have the capital plan approved by the Reserve Bank.

For the purposes of this condition of registration,—

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

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

   In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

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

   (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

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

   In determining the total amount of the banking group's insurance business—

   (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

   (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

   For the purposes of this condition of registration,—

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

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

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

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

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

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

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

   (a) the board of the bank must have at least five directors;
   (b) the majority of the board members must be non-executive directors;
   (c) at least half of the board members must be independent directors;
   (d) an alternate director,—

      (i) for a non-executive director must be non-executive; and
      (ii) for an independent director must be independent;

   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   (f) the chairperson of the board of the bank must be independent;

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

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

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

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
(b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
(b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

(a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
(b) the committee must have at least three members;
(c) every member of the committee must be a non-executive director of the bank;
(d) the majority of the members of the committee must be independent; and
(e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

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

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

11. That the banking group complies with the following quantitative requirements for liquidity-risk management:

(a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
(b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
(c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated January 2018 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated October 2018.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:

(a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
(b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
(c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
(d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

13. That no more than 10% of total assets may be beneficially owned by a SPV. For the purposes of this condition,—

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

"SPV" means a person—

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

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

14. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

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

15. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, 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 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

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

In these conditions of registration,—

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

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

In conditions of registration 15 to 17,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2019:

"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 2019.

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 lending with LVRs greater than 70%, and a 20% flow of non-property investor lending with LVRs above 80%. The amendment to the threshold for investor loans counting as high LVR (70%) will also allow some additional loans to meet the criteria for the combined collateral exemption.

Refer to a revised version of "Total capital" is defined in Part 2, not Part 3, of BS2A..

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	A	A1
Short-term credit Rating	A-1	P-1
Outlook	Stable	Stable

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

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

Rating Information

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

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

[1] Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, or (3) in lower end. Fitch and S&P apply plus (+) or minus (-) signs to ratings from "AA" to "CCC" to indicate relative standing within the major rating categories.
[2] Credit ratings are statements of opinion issues by rating agencies. A credit rating is not a statement of fact, an endorsement of the rated entity, or a recommendation to buy, hold, or sell securities. Analytic services provided by rating agencies are the result of separate activities designed to preserve the independence and objectivity of rating opinions.

Other Material Matters

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

Directors' Statements

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

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

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

2. During the six months ended 30 June 2019:

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

This Disclosure Statement is dated 28 August 2019 and has been signed by Donald Thomas Brash and Martin Philipsen as the responsible persons for and on behalf of all the Directors (by Directors' resolution):

Donald Thomas Brash
Independent Director, Chairman

Martin Philipsen
Independent Director

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the six months ended 30 June 2019

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Statement of Comprehensive Income

Thousands of dollars	Note	Unaudited 30 June 2019 6 months	Unaudited 30 June 2018 6 months	Audited 31 December 2018 12 months
Interest Income		42,513	35,528	79,133
Interest Expense		(25,159)	(18,598)	(42,840)
Net Interest Income		**17,354**	**16,930**	**36,293**
Net gains/(losses) on financial instruments at fair value through P&L		247	9,558	12,804
Other Income	2	332	(8,467)	(11,068)
Total operating income		17,933	18,021	38,029
Operating expenses		(8,573)	(8,407)	(17,087)
Impairment provisioning on financial assets	3	817	(7,593)	(10,631)
Net profit/(loss) before taxation		10,177	2,021	10,311
Taxation expense	4	(2,853)	(566)	(2,946)
Net profit/(loss) after taxation		**7,324**	**1,455**	**7,365**
Other comprehensive income		-	-	-
Total comprehensive income		**7,324**	**1,455**	**7,365**

*All interest income is calculated using the effective interest method.

KPMG

Statement of Changes In Equity

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the six months ended 30 June 2019 (unaudited)				
Balance at the 31 December 2018		233,540	535	234,075
Capital injection from shareholders		-	-	-
Net profit/(loss) for the period		-	7,324	7,324
Total equity movement for the period		-	7,324	7,324
Balance at 30 June 2019		233,540	7,859	241,399
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		-	(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 year ended 31 December 2018 (audited)				
Balance at 31 December 2017		145,460	(6,165)	139,295
Changes on initial application of IFRS 9		-	(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 year		-	7,365	7,365
Total equity movement for the year		88,080	7,365	95,445
Balance at 31 December 2018		233,540	535	234,075

KPMG

Statement of Financial Position

Thousands of dollars	Note	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Assets				
Cash, cash equivalents and balances with central banks		77,144	484,728	87,122
Amounts due from related parties	11	13,831	31,091	10,236
Due from banks and other financial institutions		267,910	361,885	214,655
Investment securities		205,947	41,992	111,330
Derivative Financial Assets		3,690	6,387	1,194
Loans and advances to customers	5,10	1,655,468	1,564,364	1,694,092
Property, plant and equipment		70	262	102
Right-of-use assets	9	7,967	-	-
Intangible assets		-	-	-
Current taxation		-	-	-
Deferred tax assets		8,579	7,923	8,810
Other assets		6,193	6,645	8,274
Total assets		**2,246,799**	**2,505,277**	**2,135,815**
Liabilities				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	11	306,628	1,124,654	569,636
Derivative Financial Liabilities		3,346	819	1,140
Deposits from customers	6	840,286	480,766	635,989
Certificates of Deposit	7	92,975	112,845	136,151
Subordinated loans due to related parties	8	70,000	70,000	70,000
Debt securities issued	7	661,668	465,453	461,826
Long-term lease liabilities	9	8,008	-	-
Deferred tax liabilities		19	-	19
Current tax payable		1,614	2,457	4,453
Other liabilities		20,855	20,117	22,525
Total liabilities		2,005,400	2,277,112	1,901,740
Shareholder's equity				
Share capital		233,540	233,540	233,540
Reserves		7,859	(5,375)	535
Total shareholder's equity		241,399	228,165	234,075
Total shareholder's equity and liabilities		**2,246,799**	**2,505,277**	**2,135,815**
Total interest earning and discount bearing assets	12,19	2,239,109	2,497,721	2,123,408
Total interest and discount bearing liabilities	13,19	1,922,243	2,182,828	1,806,278

The accounting policies and other notes (1-22) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 28 August 2019 and are signed on their behalf by:

Donald Thomas Brash
Independent Director, Chairman

Martin Philipsen
Independent Director

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STATEMENT OF CASH FLOWS

Thousands of dollars	Note	Unaudited 30 June 2019 6 months	Unaudited 30 June 2018 6 months	Audited 31 December 2018 12 months
Cash flows from operating activities				
Interest income		43,685	35,492	76,728
Other income		243	(3,727)	2,268
Personnel expenses		(5,306)	(4,673)	(10,590)
Other operating expenses		(1,974)	(3,820)	(6,429)
Interest expense		(25,756)	(15,315)	(36,276)
Taxes paid		(5,460)	(2,177)	(3,443)
Net cash flows from operating activities before changes in operating assets and liabilities		**5,432**	**5,780**	**22,258**
Changes in operating assets and liabilities arising from cash flow movements:				
(Increase)/decrease in loans and advances to customers		38,862	(301,917)	(434,659)
(Increase)/decrease in amounts due from other financial institutions		-	-	-
Increase/(decrease) in deposits from customers		204,297	61,246	216,469
Increase/(decrease) in amounts due to related parties		(201,708)	(6,707)	(57,095)
Increase/(decrease) in amounts due to financial institutions		-	-	-
Increase/(decrease) in other liabilities		(107)	(156)	31
(Increase)/decrease in amounts due from related parties		(3,595)	(8,019)	2,369
Increase/(decrease) in certificates of deposit		(43,176)	58,166	81,471
Net change in operating assets and liabilities		**(5,427)**	**(197,387)**	**(191,414)**
Net cash flows from operating activities		**5**	**(191,607)**	**(169,156)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(5)	(31)	(65)
Purchase of financial securities		(94,957)	(2,000)	(71,620)
Net cash flows from investing activities		(94,962)	(2,031)	(71,685)
Cash flows from financing activities				
Capital injection from shareholders		-	88,080	88,080
Increase in subordinated loans due to related parties		-	35,000	35,000
Increase in debt securities issued		199,920	153,345	150,106
Payment for leases	9	(355)	-	-
Net cash flows from financing activities		199,565	276,425	273,186
Increase/(decrease) in cash and cash equivalents		104,608	82,787	32,345
Cash and cash equivalents at beginning of year		151,604	119,491	119,491
Effect of exchange rate changes on cash and cash equivalents		(31)	-	(232)
Cash and cash equivalents		**256,181**	**202,278**	**151,604**
Cash and cash equivalents at end of the period comprised:				
Cash, cash equivalents and balances with central banks*		77,144	484,728	87,122
Due from banks and other institutions classified as cash equivalents		267,910	361,885	214,655
Amount due from related parties		-	10,467	-
Due to central banks and other financial institutions classified as cash and cash equivalents		(1)	(1)	(1)
Amount due to related parties classified as cash and cash equivalents		(88,872)	(654,801)	(150,172)
Total cash and cash equivalents		**256,181**	**202,278**	**151,604**

* Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2019 is $7,199K (30 June 2018: $9,848K, 31 December 2018: $11,045K). This is included in cash and cash equivalents balance.

STATEMENT OF CASH FLOWS (CONTINUED)

Thousands of dollars	Unaudited 30 June 2019 6 months	Unaudited 30 June 2018 6 months	Audited 31 December 2018 12 months
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit/(loss) after taxation	**7,324**	**1,455**	**7,365**
Non cash movements:			
Unrealised fair value adjustments	348	(6)	(115)
Depreciation	522	197	391
Amortisation of financial instruments	340	231	510
Increase/(decrease) in collective allowance for impairment losses	(827)	7,593	10,632
Loss on written-off financial assets	10	-	-
Gain on bad debts recovery	-	-	-
Unrealised foreign exchange gain/(loss)	(684)	(4,813)	647
(Increase)/decrease in deferred taxation	231	(2,126)	(2,994)
Amortisation of debt securities issued	(1)	10	17
Increase/(decrease) in operating assets and liabilities	**(61)**	**1,086**	**9,088**
(Increase)/decrease in interest receivable	1,361	(825)	(3,120)
Increase/(decrease) in interest payable	(597)	3,274	6,532
(Increase)/decrease in loans and advances to customers	38,862	(301,917)	(434,659)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase/(decrease) in deposits from customers	204,297	61,246	216,469
Increase/(decrease) in certificates of deposit	(43,176)	58,166	81,471
Increase/(decrease) in amounts due to other financial institutions	-	-	-
Increase/(decrease) in other liabilities	(495)	776	(94)
Increase/(decrease) in amounts due to related parties	(201,708)	(6,707)	(57,095)
(Increase)/decrease in current taxation	(2,839)	516	2,511
(Increase)/decrease in other assets	632	(658)	7
(Increase)/decrease in amounts due from related parties	(3,595)	(8,019)	2,369
Net cash flows from operating activities	**5**	**(191,607)**	**(169,156)**

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2019 (unaudited)

	31 December 2018	Net Cashflow	Non-cash changes: Amortisation	Non-cash changes: Foreign Exchange movement	30 June 2019
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	461,826	199,920	-	(78)	661,668
Total liabilities from financing activities	531,826	199,920	-	(78)	731,668

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STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2018 (unaudited)

			Non-cash changes		
	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

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2018 (audited)

			Non-cash changes		
	Balance at the beginning of the year	**Net Cash flow**	**Amortisation**	**Foreign Exchange movement**	**31 December 2018**
Subordinated loans due to related parties	35,000	35,000	-	-	70,000
Debt securities issued	311,305	150,106	17	398	461,826
Total liabilities from financing activities	346,305	185,106	17	398	531,826

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 2019.

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 28 August 2019. 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 2019. 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 2018. 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: determining inputs into the ECL measurement model, including incorporation of forward-looking information and recoverable cash flows.
- Fair value of derivatives
- Deferred taxation
- IFRS 16 application

Estimation uncertainties:

Assumptions made as at each reporting date (e.g. the calculation of the provision for doubtful debts and fair value adjustments), are based on best estimates at that date. Although the Bank has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates.

During a prior period, a significant 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 31 December 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 from other jurisdictions this report is naturally a very early estimate of the outcome for secured lenders of the group.

Note 1 - Statement of Accounting Policies (continued)

The on-going regulator investigations during the prior year together with the Group being placed in administration this year, represent an indicator of impairment as at the year-end, and the Bank made a further specific provision of $9.4million in the prior period, which brought the total provisioning to $19.7million, of the total outstanding principal financed to the Group. The determination of provision is highly judgmental and is subject to significant estimation uncertainty due to the following reasons:

- 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.

The fair value of derivatives are measured from inputs that are observable for the assets and liabilities either directly or indirectly from the market.

Based on the latest forecast, the future taxable profits are in excess of the gross balance of the deductible temporary differences as at 30 June 2019.

During the period, the Bank has been consistent in applying the judgements, estimates and assumptions adopted in the annual financial statements for the year ended 31 December 2018, except as amended by the adoption of NZ IFRS 16. In adopting and applying NZ IFRS 16 and determining the accounting impacts (as described in note 9), several key estimates and assumptions were required. These include determining the lease term (which can be estimation of renewal), the discount rate applicable to each lease and the lease payments, which may not be fixed and may vary depending on an index.

(5) Changes in accounting policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2018, except as disclosed below.

The following new amendment to standards relevant to the Banking has been adopted from 1 January 2019 and have been applied in the preparation of these financial statement:

NZ IFRS 16 Leases (Effective for periods on or after 1 January 2019)
NZ IFRS 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, the Bank will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

The Bank initially applied NZ IFRS 16 on 1 January 2019, using the modified retrospective method. Applying this method, the comparative information for the 2018 financial year has not been restated.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liabilitiy, adjusted by the amount of any prepaid or accrued lease payments – the Bank applied this approach to all other leases. The weighted-average rate applied is 3.32%. There is no impact on retained earnings.

In the context of the transition to IFRS 16, right-of-use assets of $8,245 and lease liabilities of $8,157 were recognised as at 1 January 2019. The Bank transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. As part of the initial application of IFRS 16, The Bank chose to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application. In addition, the Bank has decided to apply expemption for short-term leases to leases for which the lease term ends within 12 months of the date of initial application, and leases of low-value assets. In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases. The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease oblications as at 31 December 2018:

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Note 1 - Statement of Accounting Policies (continued)

Thousands of dollars	1 January 2019
Lease commitments as at 31 December 2018	1,930
Current leases with a lease term of 12 months or less (short-term leases)	-
Operating leases commitments as of 1 January 2019 (gross, without discounting)	**1,930**
Operating leases commitments as of 1 January 2019 (net, discounted)	1,759
Reasonably certain extension or termination options	6,486
Less: (initial payments)	(89)
Total lease liabilities as at 1 January 2019	**8,156**

Thousands of dollars	1 January 2019
Operating lease of buildings	8,137
Operating lease of vehicles	108
Total right-of-use assets	**8,245**

(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 Statement notes affected are: note 3 - impairment allowance and note 19 – interest rate risk have been reclassified in accordance to the format of the Disclosure Statement as at 31 December 2018.

Note 2 - Other Income

Thousands of dollars	Unaudited 30 June 2019 6 months	Unaudited 30 June 2018 6 months	Audited 31 December 2018 12 months
Banking and lending fee income	400	497	798
Payment services fee income	352	417	779
Net foreign exchange gains/(losses)	(439)	(9,381)	(12,646)
Other revenue	19	-	1
Total other income	332	(8,467)	(11,068)

Note 3 - Impairment Allowance

Unaudited 30 June 2019

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 30 June 2019
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,589	3,708	7	-	896	-	7,201
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	-	462	19,675	-	-	-	-	20,137
Balance as at 30 June 2019	1	3,051	23,383	7	-	896	-	27,338

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Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2018

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 30 June 2018
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	6	3,137	4,117	2	-	1,454	-	8,716
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	2	-	-	-	-	-	-	2
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	-	13	16,395	-	-	-	-	16,408
Balance as at 30 June 2018	8	3,150	20,512	2	-	1,454	-	25,126

Audited 31 December 2018

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 31 December 2018
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	2,898	3,789	7	-	1,475	-	8,169
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	14	307	19,675	-	-	-	-	19,996
Balance as at 31 December 2018	14	3,205	23,464	7	-	1,475	-	28,165

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Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2019

Movement in provision for credit impairment Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,898	-	-	307	3,205
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(309)	-	-	155	(154)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2019	2,589	-	-	462	3,051
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	-	-	-	14	14
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	1	-	-	(4)	(3)
Bad debts written off	-	-	-	(10)	(10)
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2019	1	-	-	-	1
Corporate and institutional					
Balance at beginning of period	3,789	-	-	19,675	23,464
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(81)	-	-	-	(81)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2019	3,708	-	-	19,675	23,383
Investment securities					
Balance at beginning of period	7	-	-	-	7
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2019	7	-	-	-	7

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2019 **Movement in provision for credit impairment** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2					
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year					
Bad debts written off	-	-	-	-	-
Bad debts recovered					
Balance as at 30 June 2019	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,475	-	-	-	1,475
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(579)	-	-	-	(579)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2019	896	-	-	-	896
Cash and cash equivalents					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2					
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year					
Bad debts written off	-	-	-	-	-
Bad debts recovered					
Balance as at 30 June 2019	-	-	-	-	-
Total charges to statement of comprehensive income in current year	(968)	-	-	151	(817)
Total impairment allowance as at 30 June 2019	7,201	-	-	20,137	27,338

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2018

Movement in provision for credit impairment Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	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 stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(13)	-	-	13	-
Charge to statement of comprehensive income in current year	1,059	-	-	-	1,059
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2018	3,137	-	-	13	3,150
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	14	-	-	-	14
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(8)	2	-	-	(6)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2018	6	2	-	-	8
Corporate and institutional					
Balance at beginning of period	3,480	-	-	10,236	13,716
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	637	-	-	6,159	6,796
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2018	4,117	-	-	16,395	20,512
Investment securities					
Balance at beginning of period	2	-	-	-	2
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2018	2	-	-	-	2

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Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2018 **Movement in provision for credit impairment** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2					
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year					
Bad debts written off	-	-	-	-	-
Bad debts recovered					
Balance as at 30 June 2018	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,710	-	-	-	1,710
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(256)	-	-	-	(256)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2018	1,454	-	-	-	1,454
Cash and cash equivalents					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2					
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year					
Bad debts written off	-	-	-	-	-
Bad debts recovered					
Balance as at 30 June 2018	-	-	-	-	-
Total charges to statement of comprehensive income in current year	1,432	2	-	6,159	7,593
Total impairment allowance as at 30 June 2018	8,716	2	-	16,408	25,126

Note 3 - Impairment Allowance (continued)

Audited 31 December 2018

Movement in provision for credit impairment Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	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 stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(13)	-	-	13	-
Charge to statement of comprehensive income in current year	820	-	-	294	1,114
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2018	2,898	-	-	307	3,205
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	14	-	-	-	14
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(14)	-	-	14	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2018	-	-	-	14	14
Corporate and institutional					
Balance at beginning of period	3,480	-	-	10,236	13,716
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	309	-	-	9,439	9,748
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2018	3,789	-	-	19,675	23,464
Investment securities					
Balance at beginning of period	3	-	-	-	3
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	4	-	-	-	4
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2018	7	-	-	-	7

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Note 3 - Impairment Allowance (continued)

Audited 31 December 2018 **Movement in provision for credit impairment** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2					
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year					
Bad debts written off	-	-	-	-	-
Bad debts recovered					
Balance as at 31 December 2018	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,710	-	-	-	1,710
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(235)	-	-	-	(235)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2018*	1,475	-	-	-	1,475
Cash and cash equivalents					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2					
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year					
Bad debts written off	-	-	-	-	-
Bad debts recovered					
Balance as at 31 December 2018	-	-	-	-	-
Total charges to statement of comprehensive income in current year	884	-	-	9,747	10,631
Total impairment allowance as at 31 December 2018	8,169	-	-	19,996	28,165

*The provision for loan commitments and financial guarantee contracts is included in other liabilities.

Note 4 - Taxation

Consistent with NZ IAS 12 the Bank has recognised tax benefits totalling $8,579K (30 June 2018: $7,923K, 31 December 2018: $8,791K). The majority of the tax benefits recognised relate to the allowance for impairment losses, accelerated depreciation, and other provisions.

Thousands of dollars	Unaudited 30 June 2019 6 months	Unaudited 30 June 2018 6 months	Audited 31 December 2018 12 months
Net profit/(loss) before taxation	10,177	2,021	10,311
Tax calculated at a tax rate of 28%	2,850	566	2,887
Over/(under) provision from prior period	-	-	7
Temporary differences not recognised	(232)	-	-
Utilisation of tax losses previously unrecognised	-	-	-
Other permanent differences	3	-	52
Taxation charge/(benefit) as per the statement of comprehensive income	2,621	566	2,946
Represented by:			
Current tax	2,621	2,692	5,940
Deferred tax	232	(2,126)	(2,994)
Taxation charge/(benefit) as per the statement of comprehensive income	2,853	566	2,946

Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Residential mortgage loans	544,788	656,443	609,446
Corporate exposures	1,137,007	931,491	1,111,226
Credit Cards	108	100	103
Other exposures	-	-	-
Allowance for impairment losses	(26,435)	(23,670)	(26,683)
Total net loans and receivables	1,655,468	1,564,364	1,694,092
Current	301,891	297,196	295,306
Non-Current	1,353,577	1,267,168	1,398,786

Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Demand deposits not bearing interest	57,323	70,891	67,325
Demand deposits bearing interest	24,293	7,135	5,290
Term deposits	758,670	402,740	563,374
Total deposits	840,286	480,766	635,989
Current	732,795	411,214	532,340
Non-Current	107,491	69,552	103,649

Note 7 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Certificates of deposit (CDs)	92,975	112,845	136,151
Other debt securities	661,668	465,453	461,826
Total debt securities issued	754,643	578,298	597,977
Current	193,975	133,493	136,151
Non-Current	560,668	444,805	461,826

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Note 8 – Subordinated Loans due to Related Parties

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Subordinated loans due to related parties	70,000	70,000	70,000
Total debt securities issued	70,000	70,000	70,000
Current	-	-	-
Non-Current	70,000	70,000	70,000

The subordinated loan due to related parties of NZ$70m as at 30 June 2019 are 5 years unsecured debts (note 19).

Note 9 – Leases

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-Use assets				
Balance as at 1 January 2019	8,137	108	-	8,245
Additions	-	-	51	51
Adjustment due to lease review	156	-	-	156
Disposals	-	-	-	-
Depreciation	(466)	(18)	(1)	(485)
Balance as at 30 June 2019	7,827	90	50	7,967
Lease Liabilities				
Balance as at 1 January 2019	8,048	108	-	8,156
Additions	-	-	51	51
Adjustment due to lease review	156	-	-	156
Lease payments	(449)	(19)	-	(468)
Interest expense on lease liabilities	112	1	-	113
Balance as at 30 June 2019	7,867	90	51	8,008
Cash outflow for leases				
Initial Payments	89	-	-	89
Lease liabilities principal repayments	337	18	-	355
Interest expense on lease liabilities	112	1	-	113
Short-term leases	24	-	-	24
Total lease payments	562	19	-	581

The Bank's lease portfolio:

Real estate leases

Head Office: The Bank leases its head office and branch office. The non-cancellable period of the lease for head office is 8 years, and has an option to extend the lease for further 8 years. The lease payments are increased by 3.25% every year. As at the reporting date, the Bank is reasonable certain to exercise the renewal option.

Branch Office: The Bank leases its head office and branch office. The non-cancellable period of the lease for branch office is 6 years, and has an option to extend the lease for a further 6 years. The lease payments are adjusted every year, based on the change in the consumer price index in the preceding year. The remaining lease term at the date of initial application is less than 12 months. As at the reporting date, the Bank is reasonable certain to exercise the renewal option.

Leases of vehicles The Bank leases vehicles that are used mainly for staff's daily business transport. The non-cancellable lease terms are between three to four years with fixed lease payments.

Leases of office equipments The Bank leases some office equipments. The non-cancellable period of the lease is 5 years, with fixed lease payments.

Short-term lease The Bank leases two apartments with lease terms within 12 months of the date of initial application.

Note 10 – Asset Quality

Unaudited 30 June 2019 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	103	542,106	1,104,411	1,646,620
Past due assets not impaired				
Less than 30 days past due	5	-	-	5
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	5	-	-	5
Individually impaired assets				
Balance at beginning of the year	14	2,682	32,715	35,411
Additions	-	-	-	-
Amounts written off	(10)	-	-	(10)
Reversal of impairment	(4)	-	(119)	(123)
Total individually impaired assets	-	2,682	32,596	35,278
Total gross loans and advances	108	544,788	1,137,007	1,681,903
Individually assessed provisions				
Balance at beginning of the year	14	307	19,675	19,996
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	155	-	155
Reversals of previously recognised impairment losses	(4)	-	-	(4)
Amounts recovered	-	-	-	-
Amounts written off	(10)	-	-	(10)
Balance at end of the period	-	462	19,675	20,137
Collectively assessed provisions				
Balance at beginning of the year	-	2,898	3,789	6,687
Charge/(credit) to the statement of comprehensive income	1	(309)	(81)	(389)
Other movements	-	-	-	-
Balance at end of the period	1	2,589	3,708	6,298
Total provisions for impairment losses	1	3,051	23,383	26,435
Total net loans and advances	107	541,737	1,113,624	1,655,468

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 2019 (30 June 2018: nil, 31 December 2018: 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 $283,719K as at 30 June 2019 (30 June 2018: $335,595K, 31 December 2018: $300,318K).

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 2019 (30 June 2018: nil, 31 December 2018: 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 10 – Asset Quality (continued)

Unaudited 30 June 2018	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	60	653,761	898,052	1,551,873
Past due assets not impaired				
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	-	-	-	-
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	-	-	-	-
Reversal of impairment	-	-	-	-
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	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the year	2	13	16,395	16,410
Collectively assessed provisions				
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 year	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

Note 10 – Asset Quality (continued)

Audited 31 December 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	86	606,007	1,078,511	1,684,604
Past due assets not impaired				
Less than 30 days past due	3	-	-	3
At least 30 days but less than 60 days past due	-	757	-	757
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	14	-	-	14
Total past due assets not impaired	17	757	-	774
Individually impaired assets				
Balance at beginning of the year	-	-	32,824	32,824
Additions	-	2,682	-	2,682
Amounts written off	-	-	-	-
Reversal of impairment	-	-	(109)	(109)
Total individually impaired assets	-	2,682	32,715	35,397
Total gross loans and advances	103	609,446	1,111,226	1,720,775
Individually assessed provisions				
Balance at beginning of the year	-	-	10,236	10,236
Charge/(credit) to the statement of comprehensive income:				
New provisions	14	307	9,439	9,760
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the period	14	307	19,675	19,996
Collectively assessed provisions				
Balance at beginning of the year	14	2,091	3,480	5,585
Charge/(credit) to the statement of comprehensive income	(14)	807	309	1,102
Other movements	-	-	-	-
Balance at end of the period	-	2,898	3,789	6,687
Total provisions for impairment losses	14	3,205	23,464	26,683
Total net loans and advances	89	606,241	1,087,762	1,694,092

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Note 11 – Balances with Related Entity

A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Amounts due from ultimate parent	13,831	31,091	10,236
Amount due from controlled entities of ultimate parent	-	-	-
Total amount due from related entities	13,831	31,091	10,236
Current	13,831	31,091	10,236
Non-Current	-	-	-
Amounts due to ultimate parent	306,628	1,124,654	569,636
Amount due to controlled entities of ultimate parent	-	-	-
Total amount due to related entities	306,628	1,124,654	569,636
Current	118,554	690,346	179,961
Non-Current	188,074	434,308	389,675
Off Balance sheet transactions			
Due from parent	-	-	1,000
Due to parent	-	-	1,020
Due from controlled entities of ultimate parent	-	628	-
Due to controlled entities of ultimate parent	-	586	-

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2019 is $7,199K (30 June 2018: $9,848K, 31 December 2018: $11,045K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

2. ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC (NZ) Vostro account was NZ$89M as at 30 June 2019 (30 June 2018: NZ$655M, 31 December 2018: NZ$150M).

3. As at 30 June 2019, there is total NZ$70m 5-years subordinated loan to ICBC Head Office (note 8 and 20).The accrued interest of subordinated loan is NZ$468K as at 30 June 2019 (30 June 2018: $492K, 31 December 2018: $504K).

B. Related party transactions

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Interest income on amount due from related entities			
Ultimate parent	273	178	585
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	273	178	585
Interest expense on amount due to related entities			
Ultimate parent	5,438	6,052	12,134
Subsidiaries of ultimate parent	-	-	-
Total interest expense on amount due to related entities	5,438	6,052	12,134
Other operating income			
Gain/(loss) on derivative contracts with ultimate parent	(162)	-	(319)
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	(47)	-	(28)
Other operating expense			
Other operating expense paid to ultimate parent	-	-	(83)

Interest payable to parent as at 30 June 2019 was $905K (30 June 2018: $4,166K, 31 December 2018: $4,867K), and interest payable to subsidiaries of the ultimate parent was nil (30 June 2018: nil, 31 December 2018: nil). This is included in interest payable balance and interest paid expense.

Interest receivable from parent as at 30 June 2019 was nil (30 June 2018: $3K, 31 December 2018: nil). This is included in interest receivable balance and interest income.

Parent includes ICBC Head Office and other branches.

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Note 11 – Balances with Related Entity (continued)

There is no loan guaranteed by related parties (30 June 2018: nil; 31 December 2018: nil).

As at 30 June 2019, a risk participation agreement entered in a previous period remains in place. There are total of NZ$33,580K loans transferred to ICBC, Hong Kong branch (30 June 2018: $169,476K, 31 December 2018: $45,580K).

C. Senior management compensation

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Salaries and other short-term benefits	997	925	2,055
Other benefits	-	-	-
Total key management compensation	997	925	2,055

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 2019, 68.11% of total shares in ICBC were owned by the Chinese government. The remaining 31.89% of the shares in ICBC were held by the public. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

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

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

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

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

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

(ii) 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 12 – 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 20.

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Government	206,907	489,469	129,662
Finance (including banks)	464,278	506,454	434,360
Households	545,988	657,831	610,843
Transport and storage	137,956	40,182	140,246
Communications	-	5,082	-
Electricity, gas and water	-	51,792	-
Construction	173,128	205,490	148,593
Property services	347,172	191,815	288,424
Agriculture	6,107	6,107	6,108
Forestry, fishing and mining	149,740	159,539	157,727
Health and community services	40,014	40,010	40,056
Personal and other services	-	-	-
Retail and wholesale trade	60,292	60,529	60,296
Manufacturing	83,832	61,547	95,071
Education	1	-	-
Administration and support services	40,766	43,068	41,038
Subtotal	2,256,181	2,518,915	2,152,424
Less: allowance for impairment provisioning	(26,442)	(23,672)	(26,690)
Total financial assets	2,229,739	2,495,243	2,125,734

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

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
New Zealand	1,888,367	2,102,890	1,838,899
Overseas	341,372	392,353	286,835
Total financial assets	2,229,739	2,495,243	2,125,734

Note 12 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Loans and advances to customers	1, 655,468	1,564,364	1,694,092
Derivative financial instruments	2,862	-	1,026
Trade and Other Receivables	-	-	-
Other financial assets	4,625	4,480	5,997
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, 662,955	1,568,844	1,701,115
Cash and cash equivalents	77,144	484,728	87,122
Amounts due from related parties	13,831	31,091	10,236
Due from other financial institutions	267,910	361,885	214,655
Investment securities	205,947	41,992	111,330
Derivative financial instruments	828	6,387	168
Loans and advances to customers	-	-	-
Tax Receivable	-	-	-
Other financial assets	1,124	316	1,108
Total on Balance Sheet Credit Exposures	2,229,739	2,495,243	2,125,734
Off Balance Sheet Exposures	298,619	335,595	321,011
Total Off Balance Sheet Credit Exposures	298,619	335,595	321,011

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

57.30% of the Bank's mortgage portfolio is owner-occupied residential properties (30 June 2018: 58.42%, 31 December 2018: 58.30%).

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 2018: nil, 31 December 2018: nil).

Note 12 – 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	Unaudited During the 6 months period ended 30 June 2019			Unaudited During the 6 months period ended 30 June 2018			Audited During the 6 months period ended 31 December 2018		
	Number of Bank Counterparties			Number of Bank Counterparties			Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-	1	-	-	2	-	-
15% - 19%	-	-	-	-	-	-	1	-	-
20% - 24%	1	-	-	-	-	-	-	-	-
25% - 29%	1	-	-	2	-	-	-	1	-
30% - 34%	-	-	-	-	-	-	-	-	-
35% - 39%	2	-	-	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-	3	-	-
45% - 49%	1	-	-	2	-	-	-	-	-
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-	2	-	-
65% - 69%	1	-	-	-	-	-	-	-	-
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 2019			Unaudited During the 6 months period ended 30 June 2018			Audited During the 6 months period ended 31 December 2018		
	Number of Other Counterparties			Number of Other Counterparties			Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	6	-	-	3	-	-	4
15% - 19%	-	-	4	-	-	6	-	-	7
20% - 24%	-	-	4	-	-	5	-	-	3
25% - 29%	-	-	4[1]	-	1	4[2]	-	-	3[3]
30% - 34%	-	-	1	-	-	2	-	-	1
35% - 39%	-	-	1	-	-	2	-	-	2
40% - 44%	1	-	1	-	-	-	1	-	1
45% - 49%	-	-	2	-	-	1	-	-	2
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-	-	-	-

1 One loan classified within the 25%-29% category is 97.75% collateralised by cash deposits.
2 One loan classified within the 25%-29% category is 97.68% collateralised by cash deposits.
3 One loan classified within the 25%-29% category is 97.71% collateralised by cash deposits.

Note 12 – Concentration of Credit Risk (continued)

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2019 Number of Bank Counterparties			Unaudited As at 30 June 2018 Number of Bank Counterparties			Audited As at 31 December 2018 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	-	1	-	-	2	-	-
15% - 19%	1	-	-	-	-	-	-	-	-
20% - 24%	1	-	-	-	-	-	1	-	-
25% - 29%	-	-	-	-	-	-	1	1	-
30% - 34%	-	-	-	-	-	-	1	-	-
35% - 39%	1	-	-	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 49%	-	-	-	2	-	-	-	-	-
50% - 54%	1	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 65%	-	-	-	1	-	-	-	-	-

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2019 Number of Other Counterparties			Unaudited As at 30 June 2018 Number of Other Counterparties			Audited As at 31 December 2018 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	5	-	-	2	-	-	3
15% - 19%	-	-	5	1	-	6	-	-	7
20% - 24%	-	-	3	-	-	6	-	-	3
25% - 29%	-	-	5[1]	-	-	3[2]	-	-	3[3]
30% - 34%	-	-	-	-	-	2	-	-	1
35% - 39%	-	-	1	-	-	2	-	-	1
40% - 44%	1	-	1	-	-	-	1	-	1
45% - 49%	-	-	2	-	-	1	-	-	2
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 2019, and peak end-of-day aggregate credit exposure, for the six months ended 30 June 2019, 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 97.78% collateralised by cash deposits.
2 One loan classified within the 25%-29% category is 97.70% collateralised by cash deposits.
3 One loan classified within the 25%-29% category is 97.73% collateralised by cash deposits.

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Note 13 – 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 2019	Unaudited 30 June 2018	Audited 31 December 2018
New Zealand			
Transport and storage	26,697	15,457	15,714
Financing investment and insurance	791,706	572,170	629,335
Electricity, gas and water	45,083	1	-
Food and other manufacturing	186,661	2,736	182,639
Construction	33,575	5,171	4,540
Communication	696	10	10
Government, local authorities and services	121,170	122,916	63,959
Agriculture	-	-	-
Forestry	72,265	76,622	75,293
Health and community services	-	-	-
Personal and other services	-	-	-
Property and business services	71,179	53,642	47,321
Education	20,113	-	-
Retail and wholesale trade	2,753	3,475	4,012
Other	16,865	9,642	17,298
Households	67,071	60,518	55,292
Overseas			
Amounts due to related parties	308,016	1,215,685	575,029
Financing investment and insurance (not including ICBC group)	129,531	43,941	118,996
Household	107,210	89,859	106,576
Other deposits	2,867	2,600	791
Total financial liabilities	2,003,458	2,274,445	1,896,805

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

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Deposits from customers	840,286	480,766	635,989
Registered Banks	1	1	1
Derivative financial liabilities	3,346	819	1,140
Certificates of deposit	92,975	112,845	136,151
Subordinated loans due to related parties	70,000	70,000	70,000
Debts securities issued	661,668	465,453	461,826
Long-term lease liabilities	8,008	-	-
Related Parties	306,628	1,124,654	569,636
Other	20,546	19,907	22,062
Total financial liabilities	2,003,458	2,274,445	1,896,805

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

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Note 14 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Performance/financial guarantees issued on behalf of customers	14,900	16,631	20,693
Total contingent liabilities	14,900	16,631	20,693
Undrawn Commitments	283,719	335,595	300,318

Note 15 – Subsequent Events after Balance Sheet Date

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

Note 16 – Dividend

During the 6 months ended 30 June 2019 the Bank has not paid any dividends to its shareholder (30 June 2018: nil, 31 December 2018: nil).

Note 17 – Fair Value of Financial Instruments

Unaudited 30 June 2019

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	77,144	77,144
Amounts due from related parties	13,831	13,831
Due from banks and other financial institutions	267,910	267,910
Investment securities	205,947	211,075
Derivative financial assets	3,690	3,690
Loans and advances to customers	1,655,468	1,655,963
Other financial assets	5,749	5,749
Total financial assets	2,229,739	2,235,362
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	306,628	306,628
Derivative financial liability	3,346	3,346
Deposits from customers	840,286	840,508
Certificates of deposit	92,975	92,988
Subordinated loans due to related parties	70,000	70,000
Debt securities issued	661,668	659,463
Long-term lease liabilities	8,008	8,008
Other financial liabilities	20,546	20,546
Total financial liabilities	2,003,458	2,001,488

Note 17 – Fair Value of Financial Instruments (continued)

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
Investment securities	41,992	42,272
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	1
Amounts due to related parties	1,124,654	1,124,293
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
Long-term lease liabilities	-	-
Other financial liabilities	19,907	19,907
Total financial liabilities	2,274,445	2,273,280

Audited 31 December 2018

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	87,122	87,122
Amounts due from related parties	10,236	10,236
Due from banks and other financial institutions	214,655	214,655
Investment securities	111,330	112,311
Derivative financial assets	1,194	1,194
Loans and advances to customers	1,694,092	1,694,827
Other financial assets	7,105	7,105
Total financial assets	2,125,734	2,127,450
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	569,636	568,949
Derivative financial liability	1,140	1,140
Deposits from customers	635,989	635,745
Certificates of deposit	136,151	134,488
Subordinated loans due to related parties	70,000	70,000
Debt securities issued	461,826	461,775
Long-term lease liabilities	-	-
Other financial liabilities	22,062	22,062
Total financial liabilities	1,896,805	1,894,160

Note 17 – Fair Value of Financial Instruments (continued)

Fair value Assumptions

i. The carrying value of cash and cash equivalents is the fair value.

ii. For on demand and deposits from customers maturing within six months, due from/to other financial institutions, the carrying value is considered to be the fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.

iii. The carrying value of loans and advances to customers is net of allowance for impairment loss. For loans and advances to customers maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value are calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.

iv. For amounts due from/to related parties maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.

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

vi. The carrying value of other financial assets and liabilities is considered to be the fair value.

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).

Financial assets and liabilities measured at fair value

Thousands of dollars	**Unaudited 30 June 2019**				**Unaudited 30 June 2018**				**Audited 31 December 2018**			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Derivative financial assets	-	3,690	-	3,690	-	6,387	-	6,387	-	1,194	-	1,194
Financial liabilities												
Derivative financial liabilities	-	3,346	-	3,346	-	819	-	819	-	1,140	-	1,140

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Note 17 – Fair Value of Financial Instruments (continued)

Financial assets and liabilities measured at amortised cost

Thousands of dollars	Unaudited 30 June 2019				Unaudited 30 June 2018				Audited 31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Investment securities	-	211,075	-	211,075	-	42,272	-	42,272	-	112,311	-	112,311
Loans and advances to customers	-	1,655,963	-	1,655,963	-	1,565,502	-	1,565,502	-	1,694,827	-	1,694,827
Other financial assets	-	5,749	-	5,749	-	4,796	-	4,796	-	7,105	-	7,105
Total	-	1,872,787	-	1,872,787	-	1,612,570	-	1,612,570	-	1,814,243	-	1,814,243
Financial liabilities												
Amounts due to related parties	-	306,628	-	306,628	-	1,124,293	-	1,124,293	-	568,949	-	568,949
Deposits from customers	-	840,508	-	840,508	-	480,411	-	480,411	-	635,745	-	635,745
Certificates of deposits	-	92,988	-	92,988	-	112,754	-	112,754	-	134,488	-	134,488
Debt securities issued	-	659,463	-	659,463	-	465,095	-	465,095	-	461,775	-	461,775
Long-term lease liabilities	-	-	8,008	8,008	-	-	-	-	-	-	-	-
Other financial liabilities	-	20,546	-	20,546	-	19,907	-	19,907	-	22,062	-	22,062
Total	-	1,920,133	8,008	1,928,141	-	2,202,460	-	2,202,460	-	1,823,019	-	1,823,019

Note 18 – 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:
1 Optimising the structure of assets and liabilities;
2 Maintaining the stability of the deposit base;
3 Projecting cash flows and evaluating the level of current assets; and
4 Maintaining an efficient internal fund transfer mechanism/agreement with the Parent Bank for liquidity.

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 2019	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	88,892	30,189	4,000	195,072	-	318,153
Deposits from customers	84,093	472,869	188,074	112,703	-	857,739
Certificates of deposit	-	50,000	45,500	-	-	95,500
Subordinated loans due to related parties	-	470	1,338	74,989	-	76,797
Debt securities issued	-	4,410	113,321	586,002	-	703,733
Long-term lease liabilities	-	280	847	4,422	3,705	9,254
Other financial liabilities	144	538	2,779	896	-	4,357
Total financial liabilities	173,130	558,756	355,859	974,084	3,705	2,065,534
Derivative cash flows						
Inflows from derivatives	-	29,682	79,903	20,263	-	129,848
Outflows from derivatives	-	(30,376)	(78,917)	(21,369)	-	(130,662)
Total	-	(694)	986	(1,106)	-	(814)
Off balance sheet cash flows						
Financial guarantees outflows	8,535	-	-	6,365	-	14,900
Commitments outflows	281,754	-	524	1,441	-	283,719
Total	290,289	-	524	7,806	-	298,619

Note 18 – Liquidity Risk (continued)

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	-	-	-	-	1
Amounts due to related parties	654,861	38,115	5,874	449,534	-	1,148,384
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	-	501,779
Long-term lease liabilities	-	-	-	-	-	-
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 18 – Liquidity Risk (continued)

Audited 31 December 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	-	-	-	-	1
Amounts due to related parties	150,232	31,161	7,591	408,671	-	597,655
Derivative Financial Liabilities	-	1,140	-	-	-	1,140
Deposits from customers	74,009	286,124	182,139	107,896	-	650,168
Certificates of deposit	-	50,000	89,000	-	-	139,000
Subordinated loans due to related parties	-	495	1,495	76,467		78,457
Debt securities issued	-	4,092	10,481	477,655	-	492,228
Long-term lease liabilities	-	-	-	-	-	-
Other financial liabilities	74	836	2,363	-	1,475	4,748
Total financial liabilities	224,316	373,848	293,069	1,070,689	1,475	1,963,397
Derivative cash flows						
Inflows from derivatives	-	30,263	2,878	8,484	54	41,679
Outflows from derivatives	-	(30,290)	(2,943)	(8,558)	(194)	(41,985)
Total	-	(27)	(65)	(74)	(140)	(306)
Off balance sheet cash flows						
Financial guarantees outflows	(10,874)	-	-	(9,819)	-	(20,693)
Commitments outflows	(297,810)	(286)	(781)	(1,441)	-	(300,318)
Total	(308,684)	(286)	(781)	(11,260)	-	(321,011)

Liquidity portfolio management

Thousands of dollars	**Unaudited 30 June 2019**	**Unaudited 30 June 2018**	**Audited 31 December 2018**
Cash, cash equivalents and balances with central banks	77,144	484,728	87,122
Amounts due from related parties	-	10,467	-
Due from banks and other financial institutions	267,910	361,885	214,655
Financial securities	205,947	41,992	111,330
Total liquidity portfolio	**551,001**	**899,072**	**413,107**

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Note 19 – 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:

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

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

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

Unaudited 30 June 2019	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	7,792	69,352	-	-	-	-	77,144
Amounts due from related parties	-	13,831	-	-	-	-	13,831
Due from banks and other financial institutions	-	267,910	-	-	-	-	267,910
Investment securities	(7)*	84,457	5,028	16,312	13,677	86,480	205,947
Derivative financial assets	3,690	-	-	-	-	-	3,690
Loans and advances to customers	(26,435)*	1,482,375	131,857	59,343	8,328	-	1,655,468
Other financial assets	5,590	159	-	-	-	-	5,749
Total financial Assets	(9,370)	1,918,084	136,885	75,655	22,005	86,480	2,229,739
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	153,554	153,074	-	-	-	306,628
Derivative financial liability	3,346	-	-	-	-	-	3,346
Deposits from customers	57,323	507,228	100,585	67,658	106,260	1,232	840,286
Certificates of deposit	-	48,669	34,063	10,243	-	-	92,975
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	500,693	-	1,000	33,970	126,005	661,668
Long-term lease liabilities	-	2,892	-	-	-	5,116	8,008
Other financial liabilities	20,546	-	-	-	-	-	20,546
Total financial liabilities	81,215	1,248,037	322,722	78,901	140,230	132,353	2,003,458
On-balance sheet gap	(90,585)	670,047	(185,837)	(3,246)	(118,225)	(45,873)	226,281
Net derivative notional principals	-	(121,800)	-	-	21,800	100,000	-
Net effective interest rate gap	(90,585)	548,247	(185,837)	(3,246)	(96,425)	54,127	226,281

*The whole amount relates to the impairment of the financial assets.

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Note 19 – Interest Rate Risk (continued)

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 dollars							
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
Investment securities	(3)*	4,480	-	-	21,499	16,016	41,992
Derivative financial assets	6,387	-	-	-	-	-	6,387
Loans and advances to customers	(23,670)*	1,019,542	110,391	300,651	154,963	2,487	1,564,364
Other financial assets	4,639	-	-	-	157	-	4,796
Total financial Assets	(2,478)	1,891,557	110,391	300,651	176,619	18,503	2,495,243
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	975,362	33,518	-	71,512	44,262	1,124,654
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	-	421,998	-	-	-	43,455	465,453
Other financial liabilities	19,907	-	-	-	-	-	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	(94,095)	125,052	(36,484)	239,665	55,934	(69,274)	220,798
Net derivative notional principals	-	3,200	-	-	-	(3,200)	-
Net effective interest rate gap	(94,095)	128,252	(36,484)	239,665	55,934	(72,474)	220,798

*The whole amount relates to the impairment of the financial assets.

Note 19 – Interest Rate Risk (continued)

Audited 31 December 2018 Thousands of dollars	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
Financial assets							
Cash, cash equivalents and balances with central banks	20,876	66,246	-	-	-	-	87,122
Amounts due from related parties	-	10,236	-	-	-	-	10,236
Due from banks and other financial institutions	-	214,655	-	-	-	-	214,655
Investment securities	(7)*	9,494	-	5,083	16,337	80,423	111,330
Derivative financial assets	1,194	-	-	-	-	-	1,194
Loans and advances to customers	(26,683)*	1,194,628	236,044	218,669	69,905	1,529	1,694,092
Other financial assets	6,946	-	-	159	-	-	7,105
Total financial Assets	2,326	1,495,259	236,044	223,911	86,242	81,952	2,125,734
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	289,501	209,195	-	70,940	-	569,636
Derivative financial liability	1,140	-	-	-	-	-	1,140
Deposits from customers	67,325	304,773	58,539	117,582	86,179	1,591	635,989
Certificates of deposit	-	49,532	3,887	82,732	-	-	136,151
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	400,771	-	-	3,280	57,775	461,826
Other financial liabilities	22,062	-	-	-	-	-	22,062
Total financial liabilities	90,527	1,079,578	306,621	200,314	160,399	59,366	1,896,805
On-balance sheet gap	(88,201)	415,681	(70,577)	23,597	(74,157)	22,586	228,929
Net derivative notional principals	-	3,200	-	-	(1,200)	(2,000)	-
Net effective interest rate gap	(88,201)	418,881	(70,577)	23,597	(75,357)	20,586	228,929

*The whole amount relates to the impairment of the financial assets.

Note 20 – 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 2019.

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.

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Note 20 – Capital Adequacy (continued)

(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 2019, 30 June 2018, and 31 December 2018. 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 2019	30 June 2018	31 December 2018
Tier one capital			
Common Equity Tier one capital			
Issued and fully paid up share capital	233,540	233,540	233,540
Retained earnings	7,859	(5,375)	535
Accumulated other comprehensive income and other disclosed reserves	-	-	-
Interest from issue of ordinary shares	-	-	-
Less:	-	-	-
Goodwill and other intangible assets	-	-	-
Regulatory adjustments	-	-	-
Deferred tax assets	(8,579)	(7,923)	8,810
Total common equity tier one capital	232,820	220,242	225,265
Additional Tier one capital			
High-quality capital	-	-	-
Instruments issued	-	-	-
Share premium from issue of instruments	-	-	-
Associated retained earnings	-	-	-
Less: Regulatory adjustments	-	-	-
Total additional tier one capital	-	-	-
Total tier one capital	232,820	220,242	225,265
Tier two capital			
Subordinated loans due to related parties	56,000	70,000	63,000
Share premium from issue of instruments	-	-	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	-	-	-
Less: Regulatory adjustments	-	-	-
Total tier two capital	56,000	70,000	63,000
Total capital	288,820	290,242	288,265

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 20 – Capital Adequacy (continued)

(d) Credit Risk

30 June 2019 **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	136,342	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	74,750	20%	14,950	1,196
Banks rating grade 1	323,305	20%	64,661	5,173
Banks rating grade 2 (≤3 months)	14,070	20%	2,814	225
Banks rating grade 2 (>3 months)	36,877	50%	18,439	1,475
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	25,750	100%	25,750	2,060
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	9,913	50%	4,957	397
Corporate-without recognised mitigation	979,524	100%	979,524	78,362
Corporate-secured by collateral	65,005	20%	13,001	1,040
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	307,992	35%	107,797	8,624
Residential mortgages (investment) not past due -LVR up to 80%.	231,526	40%	92,610	7,409
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	2,219	100%	2,219	178
Other past due assets	12,921	100%	12,921	1,033
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	26,605	100%	26,605	2,128
Total on balance sheet exposures after credit risk mitigation	2,246,799	-	1,366,248	109,300

Note 20 – Capital Adequacy (continued)

30 June 2019 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	6,365	50%	3,183	100%	3,183	254
Trade-related contingency	8,535	20%	1,707	100%	1,707	137
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	229,271	50%	114,635	100%	114,635	9,171
Other commitments where original maturity is more than one year	52,500	50%	26,250	20%	5,250	420
Other commitments where original maturity is less than or equal to one year	1,948	20%	390	100%	390	31
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	101,992	1%	1,020	100%	1,020	82
(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)	342,200	0.50%	1,711	100%	1,711	137
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	742,811	-	148,896	-	127,896	10,232

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Note 20 – Capital Adequacy (continued)

30 June 2018 **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	454,887	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
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	-	-	-	-
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	-	-	-	-
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 20 – 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	-	-	-	-	-	-
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	-	-	-	-	-	-
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)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	673,228	-	173,234	-	157,234	12,579

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Note 20 – Capital Adequacy (continued)

31 December 2018 **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	53,788	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	75,070	20%	15,014	1,201
Banks rating grade 1	277,148	20%	55,430	4,434
Banks rating grade 2 (≤3 months)	11,045	20%	2,209	177
Banks rating grade 2 (>3 months)	78,630	50%	39,315	3,145
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	18,187	50%	9,093	727
Corporate-without recognised mitigation	919,801	100%	919,801	73,584
Corporate-secured by collateral	64,408	20%	12,882	1,031
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	350,926	35%	122,824	9,826
Residential mortgages (investment) not past due -LVR up to 80%.	252,940	40%	101,176	8,094
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	2,375	100%	2,375	190
Other past due assets	13,040	100%	13,040	1,043
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	18,457	100%	18,457	1,477
Total on balance sheet exposures after credit risk mitigation	2,135,815	-	1,311,616	104,929

Note 20 – Capital Adequacy (continued)

31 December 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	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	9,819	50%	4,909	100%	4,909	393
Trade-related contingency	10,874	20%	2,175	100%	2,175	174
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	258,336	50%	129,168	100%	129,168	10,333
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	1,982	20%	396	100%	396	32
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	29,381	1%	294	100%	294	24
(b) Interest rate contracts (exposure less than 1 year)	-	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	167,200	0.50%	836	100%	836	67
Interest rate contracts (exposure more than 5 years)	-	1.5%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
Total off-balance sheet exposures	517,592	-	157,778	-	141,778	11,343

Credit Risk Mitigation

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

Note 20 – Capital Adequacy (continued)

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

30 June 2019

Thousands of dollars Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	541,737	-	-	541,737

30 June 2018

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

31 December 2018

Thousands of dollars Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	606,241	-	-	606,241

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2019	30 June 2018	31 December 2018
Residential mortgage loans (as disclosed in Note 5)			
On balance sheet exposures			
Residential – owner occupied	312,151	383,497	355,292
Residential - investment	232,637	272,946	254,154
Provisions for impairment losses on loans and advances	(3,051)	(3,150)	(3,205)
Residential mortgages by loan-to-valuation ratio	541,737	653,293	606,241
Off balance sheet exposures	-	-	-
Total	541,737	653,293	606,241

(g) Credit risk mitigation

30 June 2019 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	65,005	-
Residential mortgage	-	-
Other	-	-
Total	65,005	-

Note 20 – Capital Adequacy (continued)

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	-	-
Total	63,991	-

31 December 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	64,408	-
Residential mortgage	-	-
Other	-	-
Total	64,408	-

(h) Operational risk capital requirement

30 June 2019

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	83,888	6,711

30 June 2018

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	55,900	4,472

31 December 2018

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	71,050	5,684

Note 20 – Capital Adequacy (continued)

(i) Market Risk

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

30 June 2019	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	54,888	4,391	84,400	6,752
Foreign currency risk	5,925	474	6,075	486
Equity risk	-	-	-	-
Total capital requirements	60,813	4,865	90,475	7,238

30 June 2019

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,989,610	1,494,144	119,532
Operational risk	-	83,888	6,711
Market risk	-	60,813	4,865
Total	2,989,610	1,638,845	131,108

30 June 2018	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	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

Note 20 – Capital Adequacy (continued)

31 December 2018	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	56,213	4,497	81,800	6,544
Foreign currency risk	4,063	325	9,888	791
Equity risk	-	-	-	-
Total capital requirements	60,276	4,822	91,688	7,335

31 December 2018

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,653,407	1,453,394	116,272
Operational risk	-	71,050	5,684
Market risk	-	60,276	4,822
Total	2,653,407	1,584,720	126,778

Capital ratios

Regulatory Capital Ratios	**Regulatory Minimum**	**30 June 2019**	**30 June 2018**	**31 December 2018**
Common Equity Tier 1 Capital Ratio	4.50%	14.21%	14.75%	14.21%
Tier 1 Capital Ratio	6.00%	14.21%	14.75%	14.21%
Total Qualifying Capital Ratio	8.00%	17.62%	19.43%	18.19%
RBNZ required Buffer Ratio	2.50%	8.21%	8.75%	8.21%

(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 2018: 2%, 31 December 2018:2%) 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 2019	Unaudited For the 3 months ended 31 March 2019
One-week mismatch ratio	9. 98%	9.36%
One-month mismatch ratio	13.46%	10.56%
Core funding ratio	89.63%	85.47%

	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%

Note 20 – Capital Adequacy (continued)

	Unaudited For the 3 months ended 31 December 2018	Unaudited For the 3 months ended 30 September 2018
One-week mismatch ratio	10.6%	7.3%
One-month mismatch ratio	11%	5.8%
Core funding ratio	85.1%	88.5%

(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.cn).

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 2019, 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 2019	**31 March 2018**	**31 December 2018**
Ultimate Parent Bank Group			
Common Equity Tier 1 Capital Ratio	12.84%	12.64%	12.98%
Tier 1 Capital Ratio	13.28%	13.13%	13.45%
Total Capital Ratio	15.49%	15.09%	15.39%
Ultimate Parent Bank			
Common Equity Tier 1 Capital Ratio	13.07%	12.82%	13.23%
Tier 1 Capital Ratio	13.46%	13.25%	13.63%
Total Qualifying Capital Ratio	15.83%	15.31%	15.68%

Note 21 – 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 2018.

Note 22 - 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 the Industrial and Commercial Bank of China (New Zealand) Limited (the "Registered Bank") on pages 13 to 62, nothing has come to our attention that causes us to believe that:

i. the interim disclosure statements do not present fairly in all material respects the Registered Bank's financial position as at 30 June 2019 and its financial performance and cash flows for the 6 month period ended on that date;

ii. the interim disclosure 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 2019;
  - 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 NZ SRE 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 Industrial and Commercial Bank of China (New Zealand) Limited, 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 other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with the Registered Bank on normal terms within the ordinary course of trading activities of the business of the Register Bank. These matters have not impaired our independence as reviewer of the Registered Bank. 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 in 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.

KPMG

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 2019 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

KPMG
Auckland

29 August 2019