

# INDUSTRIAL AND COMMERCIAL BANK OF CHINA **NEW ZEALAND BANKING GROUP**

# **Disclosure Statement**

For the six months ended 30 June 2020



### **Disclosure Statement**

This Disclosure Statement has been issued by Industrial and Commercial Bank of China Limited for the year ended 30 June 2020 in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

- (a) "Overseas Bank", "Registered Bank" or "ICBC" means Industrial and Commercial Bank of China Limited, incorporated in China;
- (b) "Overseas Banking Group" means the total worldwide business of ICBC including its controlled entities;
- (c) "Branch" means the New Zealand Branch of the Overseas Bank;
- (d) "ICBC NZ" means Industrial and Commercial Bank of China (New Zealand) Limited, the locally incorporated subsidiary of the Overseas Bank;
- (e) "NZ Banking Group" means the New Zealand operations of the Overseas Bank comprising the Branch and ICBC NZ;
- (f) "NZD" means the New Zealand Dollar, "RMB" means the Chinese Yuan, "USD" means the United States Dollar, "EUR" means the European Dollar and "AUD" means the Australian Dollar;
- (g) "Board" means the board of directors of the Overseas Bank; and
- (h) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The financial statements of the NZ Banking Group for the six-month period ended 30 June 2020 form part of and should be read in conjunction with this Disclosure Statement.

This Disclosure Statement is available on the ICBC NZ's website at <a href="www.icbcnz.com">www.icbcnz.com</a>. In addition, any person can request a hard copy of the 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 - NZ Banking Group Corporate Information

#### **Address for Service**

The Registered Bank is Industrial and Commercial Bank of China Limited, 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. ICBC is the ultimate parent bank and ultimate holding company of NZ Banking Group.

(a) The registered address of ICBC is:

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

(b) Financial Statements of Registered Bank and Financial Statement of Overseas Banking Group

The Disclosure Statement of the NZ Banking Group is available for download, free of charge, on ICBC NZ's website (<a href="www.icbcnz.com">www.icbcnz.com</a>). A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request has been made.

The most recently published financial statements of the Overseas Banking Group are available on ICBC's website <a href="https://www.icbc.com.cn">www.icbc.com.cn</a>.

(c) The address for service and place of business of the Branch is:

PwC Tower, Level 11, 188 Quay Street, Auckland 1010, New Zealand

#### **Nature of Business**

The Overseas Bank is granted a banking licence on 18 May 2020 by the Reserve Bank of New Zealand. The NZ Banking Group currently provides a range of banking and financial products to retail, corporate and institutional customers.

### Limits on Material Financial Support by the Overseas 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 NZ Banking Group.

# Subordination of Claims of Creditors

There are no material legislative or regulatory restrictions in China that, in a liquidation of the Overseas Bank, subordinate the claims of any class of unsecured creditors of the Branch on the assets of the Overseas Bank to those of any other class of unsecured creditors of the Overseas Bank.

### Requirement to Hold Excess Assets over Deposit Liabilities

The Overseas Bank is not required by any statute to hold in New Zealand an excess of assets over deposit liabilities.

### Requirement to Maintain Sufficient Assets to Cover Ongoing Obligation to Pay Deposit Liabilities

The Overseas Bank is not subject to any regulatory or legislative requirement in the People's Republic of China to maintain sufficient assets in China to cover an ongoing obligation to pay deposit liabilities in that country.

### **Guarantee Arrangements**

No material obligations of the Overseas Bank that relate to the Branch are guaranteed as at the date of signing this Disclosure Statement.



### Directorate

### **Directors of the Overseas Bank**

There have been some changes in the Board since 31 December 2019.

Details of the changes of the composition of the board are as follows:

- Hao HU, resigned as Executive Director and Senior Executive Vice President on 7 February 2020.
- Shi DONG, resigned as Non-executive Director on 10 February 2020.
- Donghai YE, resigned as Non-executive Director on 4 March 2020.
- Sheila Colleen BAIR, retired as Independent Non-executive Director on 31 March 2020.
- Weidong FENG, served as Non-executive Director since January 2020.
- Ligun CAO, served as Non-executive Director since January 2020.
- Lin LIAO, served as Executive Director since July 2020.

#### Responsible Person

Qian HOU (being the New Zealand Chief Executive of the Overseas Bank) has been authorised in writing to sign this Disclosure Statement on behalf of each of the following directors: Siqing CHEN, Shu GU, Lin LIAO, Yongzhen LU, Fuqing ZHENG, Yingchun MEI, Weidong FENG, Liqun CAO, Anthony Francis NEOH, Siu Shun YANG, Si SHEN, Nout WELLINK, Fred Zuliu HU.

### **Auditor**

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

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

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

During the reporting period there have been no changes to the Branch's conditions of registration.

These conditions of registration apply on and after 18 May 2020 as per RBNZ's letter.

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

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

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

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.

- 3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.
- 4. That no appointment to the position of the New Zealand Chief Executive Officer of the registered bank shall be made 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.
- 5. That Industrial and Commercial Bank of China Limited complies with the requirements imposed on it by the China Banking and Insurance Regulatory Commission.
- 6. That, with reference to the following table, each capital adequacy ratio of Industrial and Commercial Bank of China Limited must be equal to or greater than the applicable minimum requirement.

Capital adequacy ratio	Minimum requirement		
Common Equity Tier 1 capital	5.0 percent		
Tier 1 capital	6 percent		
Total capital	8 percent		

For the purposes of this condition of registration, the capital adequacy ratios—

- (a) must be calculated as a percentage of the registered bank's risk weighted assets; and
- (b) are otherwise as administered by China Banking and Insurance Regulatory Commission.
- That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$15 billion.
- 8. The registered bank may only undertake wholesale business in New Zealand that is, business transacted with "wholesale investors" defined under the Financial Market Conduct Act 2013 (Clause 3(2), Schedule 1).
- 9. That any derivative contracts entered into by the registered bank in New Zealand may only be for the purposes of hedging a customer's positions with the registered bank, or the registered bank's own risk positions.
- 10. That the New Zealand assets of the registered bank do not exceed the consolidated total assets of Industrial and Commercial Bank of China (New Zealand) Limited and its subsidiaries.

In these conditions of registration,-

"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013.

"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013.

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

"liabilities of the registered bank in New Zealand" means the liabilities that the registered bank would be required to report in financial statements for its New Zealand business if section 461B(1) of the Financial Markets Conduct Act 2013 applied.

# 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 NZ Banking Group, that may have a material adverse effect on the Overseas Bank or any other member of the NZ Banking Group.



### **Credit Ratings**

### **ICBC Rating Information**

The Overseas Bank had 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	A1 (Upper-medium	A (Strong Capacity to meet	A (Strong Capacity to meet
Currency Bank Deposits	grade and low credit	obligation but subject to	obligation but vulnerable to
Rating	risk)	adverse economic	adverse business or economic
	-	conditions)	conditions)
Short-term Foreign	P-1 (Superior ability to	A-1 (susceptible to adverse	F1+ (strongest capacity for
Currency Bank Deposits	repay short-term debt)	economic conditions but	timely payment of financial
Rating		satisfactory capacity to	commitments)
		meet obligations)	,
Outlook	Stable	Stable	Stable

#### Rating movement history

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

On 9 Jan 2020, Fitch has upgraded ICBC's Short term foreign currency bank deposits rating to F1+ from F1, reflecting the central government's 73% ownership, a long history of state support, and its status as the largest bank in China.

A credit rating is not a recommendation to buy, sell or hold securities of the Overseas Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in the Overseas 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 longterm senior unsecured obligations:

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

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

### Other Material Matters

The Directors of the Overseas Bank are of the opinion that there are no other matters relating to the business or affairs of the NZ 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 Overseas Bank or any member of its NZ Banking Group is the issuer.

<sup>&</sup>quot;AA" to "CCC" to indicate relative standing within the major rating categories.

<sup>2</sup> 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.



### Directors' and New Zealand Chief Executive Officer's Statements

Each Director of the Overseas Bank and the New Zealand Chief Executive Officer 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 Order; and(b) The Disclosure Statement is not false or misleading.
- 2. During the six months ended 30 June 2020:
  - (a) The Overseas Bank has complied with all conditions of registration that applied during the period;
  - The Branch and ICBC NZ have systems in place to monitor and control adequately relevant members of the NZ Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems are properly applied.

This Disclosure Statement is dated 9 September 2020 and has been signed by Qian Hou as the New Zealand Chief Executive Officer and as agent authorized in writing by each director of Overseas Bank.

Qian Hou

**New Zealand Chief Executive Officer** 

Appendix 1 - Financial Statements

# **Industrial and Commercial Bank of China NZ Banking Group**

Financial Statements for the six months ended 30 June 2020



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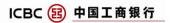


### STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	Unaudited	Audited
Thousands of dollars	Note	30 June 2020 6 months	30 June 2019 6 months	31 December 2019 12 months
Interest income*		36,626	42,513	83,334
Interest expense*		(21,444)	(25,159)	(48,847)
Net Interest Income		15,182	17,354	34,487
Net gains/(losses) on financial instruments at fair value through P&L		13,474	247	123
Fees and other income/(losses)	2	(7,423)	332	1,217
Total operating income		21,233	17,933	35,827
Operating expenses		(8,203)	(8,573)	(18,756)
Impairment provisioning on financial assets	3	(151)	817	14,919
Net profit/(loss) before taxation		12,879	10,177	31,990
Taxation expense	4	(3,607)	(2,853)	(9,016)
Net profit/(loss) after taxation		9,272	7,324	22,974
Other comprehensive income		-	-	-
Total comprehensive income		9,272	7,324	22,974

<sup>\*</sup>All interest income and interest expense are calculated using the effective interest method.





# STATEMENT OF CHANGES IN EQUITY

		Branci Head Office	• •		r members of Banking Grou	
Thousands of dollars	Note	Branch Capital	Retained Earnings	Share Capital	Retained Earnings	Total
For the six months ended 30 June 2020 (unaudited)						
Balance at 31 December 2019		-	-	233,540	23,509	257,049
Capital injection from shareholders		-	-	-	-	-
Net profit/(loss) for the year		-	-	-	9,272	9,272
Total equity movement for the year		-	-	-	9,272	9,272
Balance at 30 June 2020		-	-	233,540	32,781	266,321
For the six months ended 30 June 2019 (unaudited)						
Balance at 31 December 2018		-	-	233,540	535	234,075
Capital injection from shareholders		-	-	-	-	-
Net profit/(loss) for the year		-	-	-	7,324	7,324
Total equity movement for the year		-	-	-	7,324	7,324
Balance at 30 June 2019		-	-	233,540	7,859	241,399
For the year ended 31 December 2019 (audited)						
Balance at 31 December 2018		-	-	233,540	535	234,075
Capital injection from shareholders		-	-	-	-	-
Net profit/(loss) for the year		-	-	-	22,974	22,974
Total equity movement for the year		-	-	-	22,974	22,974
Balance at 31 December 2019	<u> </u>	-	-	233,540	23,509	257,049





### STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Assets				
Cash, cash equivalents and balances with central banks		364,738	77,144	107,297
Amounts due from related parties	10	1,951	13,831	23,150
Due from banks and other financial institutions		183,900	267,910	226,362
Investment securities		189,154	205,947	182,868
Derivative financial assets		20,156	3,690	4,164
Loans and advances to customers	5,9	1,681,432	1,655,468	1,717,679
Right-of-use assets		8,076	7,967	8,119
Property, plant and equipment		81	70	52
Intangible assets		10		12
Deferred tax assets		5,231	8,579	4,832
Other assets		5,354	6,193	6,981
Total assets		2,460,083	2,246,799	2,281,516
Liabilities				
Due to central banks and other financial institutions		1	1	
Amounts due to related parties	10	691,051	306,628	396,015
Derivative financial liabilities		4,662	3,346	3,815
Deposits from customers	6	797,628	840,286	814,845
Certificates of deposit	7	42,427	92,975	47,697
Subordinated loans due to related parties	8	70,000	70,000	70,000
Debt securities issued	7	560,914	661,668	661,440
Lease liabilities		8,389	8,008	8,356
Current tax payable		338	1,614	3,090
Deferred tax liabilities		1,321	19	0,000
Other liabilities		17,031	20,855	19,208
Total liabilities		2,193,762	2,005,400	2,024,467
Head office account				
Branch capital				
Retained profit		1		
NZ Banking Group's equity		222 540	222.540	000 540
Share capital		233,540	233,540	233,540
Reserves		32,781	7,859	23,509
Total NZ Banking Group's equity		266,321	241,399	257,049
Total NZ Banking Group's equity and liabilities		2,460,083	2,246,799	2,281,516
Total interest earning and discount bearing assets	17	2,428,772	2,239,109	2,257,82
Total interest and discount bearing liabilities	17	2,122,858	1,922,243	1,942,090

The NZ Banking Group operations begin on 18 May 2020. By the end of June 2020, as the Branch has not yet started business operation, the information presented in the above table has been extracted from audited financial statements of ICBC NZ.

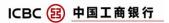
The accounting policies and other notes (1-21) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 9 September 2020 and are signed on their behalf by:

Qian Hou

New Zealand Chief Executive Officer





STATEMENT OF CASH FLOWS			
	Unaudited	Unaudited 30 June	Audited 31 December
Thousands of dollars	30 June 2020	2019	2019
Cash flows from operating activities			
Interest income	38,314	43,685	83,940
Fees and other income/(losses)	(5,371)	243	1,124
Interest expense	(22,316)	(25,643)	(51,638)
Long-term lease payments	(638)	(468)	(1,146)
Variable lease	(3)	-	(6)
Personnel expenses	(6,368)	(5,306)	(10,889)
Other operating expenses`	(1,595)	(1,974)	(5,208)
Taxes paid	(5,437)	(5,460)	(6,420)
Net cash flows from operating activities before changes in operating assets and liabilities	(3,414)	5,077	9,757
Changes in operating assets and liabilities arising from cash flow movements:			
(Increase)/decrease in loans and advances to customers	35,558	38.862	(9,165)
Increase / (decrease) in deposits from customers	(17,217)	204.297	178,856
Increase/(decrease) in amounts due to related parties	169,615	(201,708)	(90,700)
Increase/(decrease) in other liabilities	36	(107)	28
(Increase)/decrease in amounts due from related parties	21,199	(3,595)	(12,914)
Increase / (decrease) in certificates of deposit	(5,270)	(43,176)	(88,454)
Net change in operating assets and liabilities	203,921	(5,427)	(22,349)
Net cash flows from operating activities	200,507	(350)	(12,592)
The cash hows from operating activities	200,007	(550)	(12,002)
Cash flows from investing activities			
Purchase of property, plant and equipment	(48)	(5)	(7)
Purchase of intangible assets	-	-	(14)
Purchase of investment securities	(6,646)	(94,957)	(72,216)
Net cash flows from investing activities	(6,694)	(94,962)	(72,237)
Cash flows from financing activities			
Capital injection from shareholders	-	-	-
Increase in subordinated loans due to related parties	-	-	-
Increase/(decrease) in debt securities issued	(101,000)	199,920	199,760
Net cash flows from financing activities	(101,000)	199,920	199,760
Increase/(decrease) in cash and cash equivalents	92,813	104,608	114,931
Cash and cash equivalents at beginning of year	266,407	151,604	151,604
Effect of exchange rate changes on cash and cash equivalents	(3,255)	(31)	(128)
Cash and cash equivalents	355,965	256,181	266,407
Cash and cash equivalents at end of year comprised:			
Cash, cash equivalents and balances with central banks	364,738	77,144	107,297
Due from banks and other institutions classified as cash equivalents	183,900	267,910	226,362
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	(192,672)	(88,872)	(67,251)
Total cash and cash equivalents	355,965	256,181	266,407

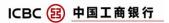




# **STATEMENT OF CASH FLOWS (CONTINUED)**

Thousands of Dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit/(loss) after taxation	9,272	7,324	22,974
Non cash movements:			
Unrealised fair value adjustments	(4,717)	348	567
Depreciation	19	37	57
Amortisation of intangibles	2	-	2
Amortisation of ROU assets	598	485	1,040
Amortisation of financial instruments	359	340	676
Gain/loss on modification of lease contracts	-	-	124
Increase/(decrease) in allowance for impairment losses	153	(827)	(14,928)
Loss on written-off financial assets	-	10	9
Bad debts recovery	(2)	-	-
Unrealised foreign exchange gain/(loss)	(6,705)	(684)	(906)
(Increase)/decrease in deferred taxation	922	231	3,959
Amortisation of debt securities issued	6	(1)	26
Increase in operating assets and liabilities	(9,365)	(61)	(9,374)
(Increase)/decrease in interest receivable	1,720	1,361	615
Increase/(decrease) in interest payable	(995)	(597)	(3,037)
(Increase)/decrease in loans and advances to customers	35,558	38,862	(9,165)
Increase/(decrease) in deposits from customers	(17,217)	204,297	178,856
Increase/(decrease) in certificates of deposit	(5,270)	(43,176)	(88,454)
Increase/(decrease) in lease liabilities	(522)	(355)	(927)
Increase/(decrease) in other liabilities	(644)	(495)	220
Increase/(decrease) in amounts due to related parties	169,615	(201,708)	(90,700)
(Increase)/decrease in current taxation	(2,752)	(2,839)	(1,363)
(Increase)/decrease in other assets	(92)	632	677
(Increase)/decrease in amounts due from related parties	21,199	(3,595)	(12,914)
Net cash flows from operating activities	200,507	(350)	(12,592)





# STATEMENT OF CASH FLOWS (CONTINUED)

### Reconciliation of liabilities arising from financing activities

# For the year ended 30 June 2020 (unaudited)

	Non-cash changes					
	Balance at the beginning of the year	Net Cash flow	Amortisation	Foreign Exchange movement	30 June 2020	
Subordinated loans due to related parties	70,000	-	-	-	70,000	
Debt securities issued	661,440	(101,000)	6	468	560,914	
Total liabilities from financing activities	731,440	(101,000)	6	468	630,914	

### For the year ended 30 June 2019 (unaudited)

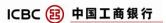
			11011 00011	onunges	
	Balance at the beginning of the year	Net Cash flow	Amortisation	Foreign Exchange movement	30 June 2019
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	461,826	199,920	-	(78)	661,668
Total liabilities from financing activities	531,826	199,920	-	(78)	731,668

### For the year ended 31 December 2019 (audited)

### Non-cash changes

	Balance at the beginning of the year	Net Cash flow	Amortisation	Foreign Exchange movement	31 December 2019
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	461,826	199,760	26	(172)	661,440
Total liabilities from financing activities	531,826	199,760	26	(172)	731,440





### Note 1 - Accounting Policies

### (1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China Limited, Auckland Branch (the "Branch"). The reporting group is the NZ Banking Group which is an aggregation of the Branch and Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC NZ"), a locally incorporated subsidiary of Industrial and Commercial Bank of China Limited (the "Overseas Bank"). The NZ Banking Group operations begin on 18 May 2020.

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). They were approved for issue by the Board of Directors of the Overseas Bank (the "Board") on 9 September 2020.

The NZ Banking Group provides its products and services to retail and wholesale/institutional customers.

#### (2) Basis of Preparation

These interim financial statements are for the NZ Banking Group for the six months ended 30 June 2020. 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 NZ Banking Group's financial statements for the year ended 31 December 2019. 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 measured at fair value through profit or loss and financial assets and liabilities measured at fair value through other comprehensive income that have been measured at fair value, as further explained in the respective accounting policies below. The carrying values of recognised assets and liabilities, that are hedged in fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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) Basis of Aggregation

The NZ Banking Group is an aggregation of the individual financial statements of the Branch and ICBC NZ. All transactions and balances between entities within the NZ Banking Group have been fully eliminated where they exist.

### (4) Presentation Currency

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

### (5) Critical accounting estimates and judgments

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. Management is required to make judgments 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, judgments 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.
- Deferred Taxation:
- Fair value of derivatives

### 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.





## Note 1 - Accounting Policies (continued)

The ongoing COVID-19 pandemic is changing continuously and there are increased uncertainties around the duration, scale and impact of the COVID-19 outbreak. The Bank is taking various measures to mitigate the impact of COVID-19 on its operations, and the Board and management team continue to assess the potential impacts on the business.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported should be considered as a best estimate within a range of possible estimates. The Bank regularly undertakes a range of macro-economic, scenario-based stress tests on its portfolio to assess probability of default shifts which in turn provide an estimate of potential future credit losses. The appropriateness of the underlying assumptions used in these stress tests is reviewed on a regular basis against actual experience and other relevant evidence and adjustments are made to the provisions where appropriate.

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 2020.

### (6) Change in Accounting Policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2019.

There is no new amendment to standard relevant to the Banking Group as at 30 June 2020.

#### (7) 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 comparative affected is: Statement of Cashflow as at 30 June 2019.





# Note 2 - Fees and Other Income

Thousands of dollars	Unaudited 30 June 2020 6 months	Unaudited 30 June 2019 6 months	Audited 31 December 2019 12 months
Banking and lending fee income	327	400	917
Payment services fee income	290	352	681
Net foreign exchange gains/(losses)	(8,040)	(439)	(276)
Gain/(loss) on modification of lease	-	-	(124)
Other revenue	-	19	19
Total other income	(7,423)	332	1,217

# Note 3 - Impairment Allowance

# Unaudited 30 June 2020

## Impairment allowance

	Other							
	exposures				Due from	Loan		
	excluding				banks and	commitments		
Thousands of dollars	sovereigns	Retail	Corporate		other	and financial	Cash	Total as at
Thousands of dollars		Mortgage	and	Investment	financial	guarantee	and cash	30 June
	central banks	Lending	institutional	securities	institutions	contracts	equivalents	2020
Provision for credit impairment								
measured on a 12-month ECL	1	2,164	6,783	9	1	437	-	9,395
(stage 1) - collective								
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		570	0.405					0.005
credit impaired (stage 3) -	-	570	3,425	-	-	-	-	3,995
specific								
Balance as at 30 June 2020	1	2.734	10,208	9	1	437	_	13,390
	-	,	- ,—	_				-,

# Unaudited 30 June 2019

# Impairment allowance

	Other							
	exposures				Due from	Loan		
	excluding		_		banks and	commitments		
Thousands of dollars	sovereigns	Retail	Corporate		other	and financial	Cash	Total as at
Thousands of dollars		Mortgage	and	Investment	financial	guarantee	and cash	30 June
	central banks	Lending	institutional	securities	institutions	contracts	equivalents	2019
Provision for credit impairment				_				
measured on a 12-month ECL	1	2,589	3,708	7	-	896	-	7,201
(stage 1) - collective								
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	_	462	19,675	_	_	_	_	20,137
credit impaired (stage 3) -		702	10,010					20,107
specific								
Balance as at 30 June 2019	1	3,051	23,383	7	-	896	-	27,338





# Audited 31 December 2019

### Impairment allowance

	Other exposures excluding				Due from banks and	Loan commitments		Total as at
Thousands of dollars	sovereigns	Retail	Corporate		other	and financial	Cash	31
	and central banks	Mortgage	and institutional	Investment securities	financial institutions	guarantee	and cash equivalents	December 2019
Provision for credit impairment	Central pariks	Lending	institutional	securilles	Institutions	contracts	equivalents	2019
measured on a 12-month ECL	1	2,314	5,942	8	1	976	-	9,242
(stage 1) - collective 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	-	570	3,425	-	-	-	-	3,995
Balance as at 31 December 2019	1	2,884	9,367	8	1	976	-	13,237





Unaudited 30 June 2020					
Movement in provision for credit impairment	Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
Thousands of dollars	provision)	provision)	provision)	Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,314	_	_	570	2,884
Changes to the opening balance due to transfer between ECL stages	2,011			0.0	2,001
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(150)	-	-	-	(150)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	
Balance as at 30 June 2020	2,164	-	-	570	2,734
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	1	_	_	_	1
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		-	-	(2)	(2)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	2	2
Balance as at 30 June 2020	1	-	-	-	1
Corporate and institutional					
Balance at beginning of period	5,942	-	-	3,425	9,367
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	841	-	-	-	841
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-		-
Balance as at 30 June 2020	6,783	-	-	3,425	10,208
Investment securities					
Balance at beginning of period	8	-	-	-	8
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	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	
Balance as at 30 June 2020	9	-	-	-	9



Unaudited 30 June 2020					
Movement in provision for credit impairment	Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
Thousands of dollars	provision)	provision)	provision)	Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	1	-	-	-	1
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 2020	1	-	-	-	1
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period Changes to the opening balance due to transfer between ECL stages	976	-	-	-	976
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(539)	-	-	-	(539)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2020*	437	-	-	-	437
Total charges to statement of comprehensive income in current year	153	-	-	(2)	151
Total impairment allowance as at 30 June 2020	9,395	-	-	3,995	13,390

<sup>\*</sup>The provision for loan commitments and financial guarantee contracts is included in other liabilities.



Unaudited 30 June 2019					
Movement in provision for credit impairment	Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
Thousands of dollars	provision)	provision)	provision)	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	5,1 55			,	,
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	-	-	-	-	-
Balance as at 30 June 2019	3,708	-	-	10.675	22 202
Datance as at 30 June 2019	3,700	-	-	19,675	23,383
Investment securities					
Balance at beginning of period Changes to the opening balance due to transfer	7	-	-	-	7
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	-	<u>-</u>	- 	-	-



Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
provision)	provision)	provision)	Provision)	Total
1,475	-	-	-	1,475
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(579)	-	-	-	(579)
-	-	-	-	-
-	-	-	-	-
896	-	-	-	896
(968)	_	-	151	(817)
7,201	-	-	20,137	27,338
	(Collective provision)  1,475  (579) - 896  (968)	(Collective provision)  1,475 -  (579) 896 - (968) -	(Collective provision)         (Collective provision)         (Collective provision)           1,475         -         -           -         -         -           -         -         -           (579)         -         -           -         -         -           896         -         -           (968)         -         -	(Collective provision)         (Collective provision)         (Collective provision)         (Specific Provision)           1,475         -         -         -           -         -         -         -           -         -         -         -           (579)         -         -         -           -         -         -         -           896         -         -         -           (968)         -         -         151





Audited 31 December 2019					
Movement in provision for credit impairment	Stage 1	Stage 2	Stage 3	Stage 3	
Thousands of dollars	(Collective provision)	(Collective provision)	(Collective provision)	(Specific Provision)	Total
Thousands of dollars	provision	provision	provision)	1 Tovision)	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/(Recovery) to statement of	(504)			000	(004)
comprehensive income in current year Bad debts written off	(584)	-	-	263	(321)
Bad debts recovered		_	_		_
Balance as at 31 December 2019	2,314			570	2,884
Balance as at 51 December 2015	2,014			370	2,004
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/(Recovery) to statement of	1	_	_	(5)	(4)
comprehensive income in current year				, ,	` '
Bad debts written off	-	-	-	(9)	(9)
Balance as at 31 December 2019		-	<u>-</u>	<u> </u>	<u>-</u> 1
Dalatice as at 31 December 2019	ı	-	<u>-</u>		ı
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/(Recovery) to statement of	2,153	_	_	(16,250)	(14,097)
comprehensive income in current year Bad debts written off	,			, ,	( , ,
Bad debts written on  Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2019	5,942			3,425	9,367
Data not do at 01 December 2019	0,342	<u>-</u>		0,420	3,307
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/(Recovery) to statement of	1	_	-	_	1
comprehensive income in current year Bad debts written off					
Bad debts recovered	-	-	-	-	-
	-		<u>-</u>	-	
Balance as at 31 December 2019	8	-	-	-	8



Audited 31 December 2019  Movement in provision for credit impairment	Stage 1	Stage 2	Stage 3	Stage 3	
Thousands of dollars	(Collective provision)	(Collective provision)	(Collective provision)	(Specific Provision)	Total
Thousands of dollars	provision)	provision)	provision)	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/(Recovery) to statement of comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2019	1	-	-	-	1
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period Changes to the opening balance due to transfer between ECL stages	1,475	-	-	-	1,475
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year	(499)	-	-	-	(499)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	
Balance as at 31 December 2019	976	-	-	-	976
Total charge/(Recovery) to statement of comprehensive income in current year	1,073		-	(15,992)	(14,919)
Total impairment allowance as at 31 December 2019	9,242	-	-	3,995	13,237





# Note 4 – Taxation

Consistent with NZ IAS 12 the NZ Banking Group has recognised tax benefits total \$5,231K as at 30 June 2020 (30 June 2019: \$8,579K, 31 December 2019: \$4,832K). The majority of the tax benefits recognised relate to the allowance for impairment losses, accelerated depreciation, and other provisions.

	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Thousands of dollars	6 months	6 months	12 months
Net profit/(loss) before taxation	12,879	10,177	31,990
Tax calculated at a tax rate of 28%	3,606	2,850	8,957
Over/(under) provision from prior period	(1)	-	-
Temporary differences not recognised	-	(232)	-
Utilisation of tax losses previously unrecognised	-	-	-
Other permanent differences	2	3	59
Taxation charge/(benefit) as per the statement of comprehensive income	3,607	2,621	9,016
Represented by:			
Current tax	2,685	2,621	5,057
Deferred tax	922	232	3,959
Taxation charge/(benefit) as per the statement of comprehensive income	3,607	2,853	9,016

### Note 5 – Loans and Advances to Customers

	Unaudited	Unaudited	Audited
Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Residential mortgage loans	453,057	544,788	484,510
Corporate exposures	1,241,273	1,137,007	1,245,356
Credit Cards	45	108	65
Other exposures	-	-	-
Allowance for impairment losses	(12,943)	(26,435)	(12,252)
Total net loans and receivables	1,681,432	1,655,468	1,717,679
Current	410,998	301,891	379,897
Non-Current	1,270,434	1,353,577	1,337,782

# Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Demand deposits not bearing interest	47,552	57,323	56,264
Demand deposits bearing interest	27,100	24,293	32,530
Term deposits	722,976	758,670	726,051
Total deposits	797,628	840,286	814,845
Current	770,211	732,795	732,633
Non-Current	27,417	107,491	82,212

# Note 7 - Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Certificates of deposit (CDs)	42,427	92,975	47,697
Other debt securities	560,914	661,668	661,440
Total debt securities issued	603,341	754,643	709,137
Current	377,463	193,975	306,576
Non-Current	225,878	560,668	402,561





### Note 8 - Subordinated Loans due to Related Parties

	Unaudited	Unaudited	Audited
Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
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 2020 are 5-year term of unsecured debts.

# Note 9 - Asset Quality

Audited 30 June 2020	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	41	452,512	1,232,919	1,685,472
Past due assets not impaired				
Less than 30 days past due	4	-	-	4
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	4	-	-	4
Individually impaired assets				
Balance at beginning of the period	-	545	7,947	8,492
Additions	2	-	407	409
Amounts written off	-	-	-	-
Deletions	(2)	-	-	(2)
Total individually impaired assets	-	545	8,354	8,899
Total gross loans and advances	45	453,057	1,241,273	1,694,375
Individually assessed provisions				
Balance at beginning of the period Charge/(credit) to the statement of comprehensive income:	-	570	3,425	3,995
New provisions	(2)	-	-	-
Reversals of previously recognised impairment losses	2	-	-	(2)
Amounts recovered	-	-	-	2
Amounts written off	-	-	-	-
Balance at end of the period	(2)	570	3,425	3,995
Collectively assessed provisions				
Balance at beginning of the period Charge (credit) to the statement of comprehensive	1	2,314	5,942	8,257
income	-	(150)	841	691
Other movements	-	-	-	
Balance at end of the period	1	2,164	6,783	8,948
Total provisions for impairment losses	1	2,734	10,208	12,943
Total net loans and advances	44	450,323	1,231,065	1,681,432

The NZ Banking Group 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 2020 (30 June 2019: nil, 30 June 2019: nil). Therefore, the NZ Banking Group 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 \$445,295K as at 30 June 2020 (30 June 2019: \$283,719K, 31 December 2019: \$555,133K).

There has been \$62,965 interest revenue, and \$11,183 fee revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the period ended 30 June 2020 (30 June 2019: nil, 31 December 2019: \$4,592).

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





# Note 9 – Asset Quality (continued)

	Other exposures		C	
	excluding sovereigns	Residential	Corporate and	
Unaudited 30 June 2019	and central	mortgage	institutional	
There are do not dellare	banks	loans	exposures	Total
Thousands of dollars	100	540,400	4 404 444	1 010 000
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 period	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 period	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 period	-	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





# Note 9 – Asset Quality (continued)

	Other			
	exposures excluding		Corporate	
	sovereigns	Residential	and	
Audited 31 December 2019	and central banks	mortgage loans	institutional	Total
Thousands of dollars	Daliks	104115	exposures	TOTAL
Total neither past due nor impaired	63	483,965	1,237,409	1,721,437
Past due assets not impaired		· · · · · · · · · · · · · · · · · · ·		, ,
Less than 30 days past due	2	-	-	2
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	2	-	-	2
Individually impaired assets				
Balance at beginning of the year	-	2,682	32,715	35,397
Additions	14	-	-	14
Amounts written off	(9)	-	-	(9)
Deletions	(5)	(2,137)	(24,768)	(26,910)
Total individually impaired assets	-	545	7,947	8,492
Total gross loans and advances	65	484,510	1,245,356	1,729,931
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	-	263	-	263
Reversals of previously recognised impairment losses	(5)	-	(16,250)	(16,255)
Amounts recovered	-	-	-	-
Amounts written off	(9)	-	-	(9)
Balance at end of the period	-	570	3,425	3,995
Collectively assessed provisions				
Balance at beginning of the year	-	2,898	3,789	6,687
Charge (credit) to the statement of comprehensive income	1	(584)	2,153	1,570
Other movements	-	-	-	-
Balance at end of the year	1	2,314	5,942	8,257
Total provisions for impairment losses	1	2,884	9,367	12,252
Total net loans and advances	64	481,626	1,235,989	1,717,679



### Note 10 - Balances with Related Entity

### A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Amounts due from ultimate parent	1,951	13,831	23,150
Amount due from controlled entities of ultimate parent	-	-	
Total amount due from related entities	1,951	13,831	23,150
Current	1,951	13,831	23,150
Non-Current	-	-	<u> </u>
Amounts due to ultimate parent	690,750	306,628	395,815
Amount due to controlled entities of ultimate parent	301	-	200
Total amount due to related entities	691,051	306,628	396,015
Current	192,672	118,554	93,044
Non-Current	498,379	188,074	302,971

- 1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2020 is \$4,576K (30 June 2019: \$7,199K, 31 December 2019: \$6,448K). 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. The balance of ICBC NZ Vostro account was NZ\$193M as at 30 June 2020 (30 June 2019: NZ\$89M, 31 December 2019: NZ\$67M).
- 3. As at 30 June 2020, ICBC NZ has issued NZ\$70m 5-years subordinated loan from ICBC Head Office (Note 8). The accrued interest of subordinated loan is NZ\$323K as at 30 June 2020 (30 June 2019: \$468K, 31 December 2019: \$354K).
- 4. The total liabilities of the Branch, net of amounts due to related parties as at 30 June 2020 is nil (30 June 2019: nil, 31 December 2019: nil).

### B. Related party transactions

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Interest income on amount due from related entities			
Ultimate parent	9	273	58
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	9	273	58
Interest expense on amount due to related entities			
Ultimate parent	4,690	5,438	7,831
Subsidiaries of ultimate parent	-	-	-
Total interest expense on amount due to related entities	4,690	5,438	7,831
Other operating income			
Gain/(loss) on derivative contracts with ultimate parent	(387)	(162)	(468)
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	(178)	(47)	(169)

Interest payable to parent as at 30 June 2020 was \$520K (30 June 2019: \$905K, 31 December 2019: \$965K), and interest payable to subsidiaries of the ultimate parent was nil (30 June 2019: nil, 31 December 2019: nil). This is included in interest payable balance and interest paid expense.

Interest receivable from parent as at 30 June 2020 was nil (30 June 2019: nil, 31 December 2019: nil). This is included in interest receivable balance and interest income.

Parent includes ICBC Head Office and other branches.





### Note 10 – Balances with Related Entity (continued)

Overseas Bank includes ICBC Head Office and other branches.

There are no loans guaranteed by related parties as at 30 June 2020 (30 June 2019: nil, 31 December 2019: nil) .

As at 30 June 2020, there are total of NZ\$187M loans transferred to ICBC Hong Kong Branch by risk participation agreement (30 June 2019: \$33,580K, 31 December 2019: nil).

#### C. Senior management compensation

	Unaudited	Unaudited	Audited
Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Salaries and other short-term benefits*	1,310	997	2,020
Other benefits	-	-	<u>-</u>
Total key management compensation	1,310	997	2,020

<sup>\*</sup> Senior management compensation was incurred and paid by ICBC NZ, who employed all staff.

#### D. Guarantees

The NZ Banking Group'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.

As at 30 June 2020, 66.14% of total shares in ICBC were owned by the Chinese government. The remaining 33.86% of the shares in ICBC were held by the public. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

None of the ICBC shareholders guarantee the obligations of ICBC Group.

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

As at the date of signing this disclosure statement, 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 guarantees due payment of all obligations of ICBC NZ to the ICBC NZ'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 ICBC NZ'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.
- (v) The registered address of ICBC refers to page 3 "Address for Service".





# Note 11 – Concentration of Credit Risk

The following table breaks down the NZ Banking Group'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.

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Government	423,361	206,907	126,769
Finance (including banks)	373,692	464,278	460,956
Households	453,884	545,988	485,487
Transport and storage	137,461	137,956	137,517
Communications	27,285	-	27,327
Accommodation and food service	21,984	-	-
Construction	260,108	173,128	191,765
Property services	346,008	347,172	453,820
Agriculture	5,303	6,107	5,304
Forestry, fishing and mining	92,821	149,740	154,525
Health and community services	165,386	40,014	60,216
Personal and other services	-	-	-
Retail and wholesale trade	60,129	60,292	60,255
Manufacturing	91,473	83,832	91,236
Education	179	1	25,055
Administration and support services	-	40,766	-
Less: allowance for impairment provisioning	(12,952)	(26,442)	(12,261)
Total financial assets	2,446,122	2,229,739	2,267,971

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

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
New Zealand	2,202,883	1,888,367	1,940,403
Overseas	243,239	341,372	327,568
Total financial assets	2,446,122	2,229,739	2,267,971



### Note 11 – Concentration of Credit Risk (continued)

### Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Loans and advances to customers	1, 681,432	1, 655,468	1,717,679
Derivative financial instruments	4,659	2,862	3,118
Trade and Other Receivables	-	-	-
Other financial assets	3,173	4,625	4,981
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, 689,264	1, 662,955	1,725,778
Cash and cash equivalents	364,738	77,144	107,297
Amounts due from related parties	1,951	13,831	23,150
Due from other financial institutions	183,900	267,910	226,362
Investment securities	189,154	205,947	182,868
Derivative financial instruments	15,497	828	1,046
Loans and advances to customers	-	-	-
Tax Receivable	-	-	-
Other financial assets	1,618	1,124	1,470
Total on Balance Sheet Credit Exposures	2,446,122	2,229,739	2,267,971
Off Balance Sheet Exposures	453,877	298,619	585,212
Total Off Balance Sheet Credit Exposures	453,877	298,619	585,212

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

As at 30 June 2020, 56.45% of the NZ Banking Group's mortgage portfolio is owner-occupied residential properties (30 June 2019: 57.30%, 31 December 2019: 55.85%).

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 2019: nil, 31 December 2019: nil).





# Note 12 – Concentration of Funding

Concentrations of funding arise where the NZ Banking Group 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 s of dollars 30 June 2020		Audited 31 December 2019	
New Zealand				
Transport and storage	59,048	26,697	44,577	
Financing investment and insurance	771,858	791,706	819,555	
Electricity, gas and water	-	45,083	20,117	
Food and other manufacturing	177,739	186,661	184,591	
Construction	23,961	33,575	25,016	
Communication	1,692	696	1,073	
Government, local authorities and services	40,223	121,170	60,203	
Agriculture	14	-	13	
Forestry	150	72,265	69,410	
Health and community services	16	-	55	
Personal and other services	-	-	-	
Property and business services	22,581	71,179	43,817	
Accommodation and food services	945	-	-	
Education	49,382	20,113	20,491	
Retail and wholesale trade	6,572	2,753	3,187	
Other	8,331	16,865	19,945	
Households	69,651	67,071	64,454	
Overseas				
Amounts due to related parties	764,911	308,016	467,333	
Financing investment and insurance (not including ICBC group)	78,922	129,531	66,209	
Household	114,481	107,210	109,397	
Other deposits	1,529	2,867	1,497	
Total financial liabilities	2,192,006	2,003,458	2,020,940	

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

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Deposits from customers	797,628	840,286	814,845
Registered Banks	1	1	1
Derivative financial liabilities	4,662	3,346	3,815
Certificates of deposit	42,427	92,975	47,697
Subordinated loans due to related parties	70,000	70,000	70,000
Debts securities issued	560,914	661,668	661,440
Related Parties	691,051	306,628	396,015
Lease liabilities	8,389	8,008	8,356
Other	16,934	20,546	18,771
Total financial liabilities	2,192,006	2,003,458	2,020,940

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





### Note 13 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Performance/financial guarantees issued on behalf of customers	8,582	14,900	30,079
Total contingent liabilities	8,582	14,900	30,079
Undrawn Commitments	445,295	283,719	555,133

### Note 14 - Subsequent Events after Balance Sheet Date

The COVID-19 outbreak, which has become a pandemic since it first entered NZ, presents strategic, operational and commercial uncertainties for the Bank. The situation is changing continuously and there are increased uncertainties around the duration, scale and impact of the COVID-19 outbreak. The Bank has been taking various measures to mitigate the impact of COVID-19 on its operations. Based on the latest stress test and analysis, the Bank has increased its COVID-19 collective provision overlay to \$3.3M by the end of August 2020 (\$1.0M as at 30 June 2020). Consequently, the Board and management team continue to assess the potential impacts on the business, where the appropriateness of the underlying assumptions used in these stress tests are reviewed on a regular basis against actual experience and other relevant evidence, and adjustments are made to the provisions where appropriate.

### Note 15 - Fair Value of Financial Instruments

### **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.

### **Measurement of Fair Value Management**

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).





# Note 15 – Fair Value of Financial Instruments (continued)

# Financial assets and liabilities measured at fair value

Unaudited 30 June 2020 Estimated Fair Value					
	Carrying				
Thousands of dollars	amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	364,738	-	364,738	-	364,738
Amounts due from related parties	1,951	-	1,951	-	1,951
Due from banks and other financial institutions	183,900	-	183,900	-	183,900
Investment securities	189,154	200,303	-	-	200,303
Derivative financial assets	20,156	-	20,156	-	20,156
Loans and advances to customers	1,681,432	-	1,686,272	-	1,686,272
Other financial assets	4,791	-	4,791	-	4,791
Total financial assets	2,446,122	200,303	2,261,808	-	2,462,111
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	691,051	-	691,051	-	691,051
Derivative financial liability	4,662	-	4,662	-	4,662
Deposits from customers	797,628	-	798,385	-	798,385
Certificates of deposit	42,427	-	42,427	-	42,427
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	560,914	-	564,950	-	564,950
Lease liabilities	8,389	-	8,389	-	8,389
Other financial liabilities	16,934	-	16,934	-	16,934
Total financial liabilities	2,192,006	-	2,196,799	-	2,196,799

Unaudited 30 June 2019		Estimated Fair Value			
	Carrying				
Thousands of dollars	amount	Level 1	Level 2	Level 3	Total
Financial assets Cash, cash equivalents and balances with central banks	77,144	-	77,144	-	77,144
Amounts due from related parties	13,831	-	13,831	-	13,831
Due from banks and other financial institutions	267,910	-	267,910	-	267,910
Investment securities	205,947	211,075	-	-	211,075
Derivative financial assets	3,690	-	3,690	-	3,690
Loans and advances to customers	1,655,468	-	1,655,963	-	1,655,963
Other financial assets	5,749	-	5,749	-	5,749
Total financial assets	2,229,739	211,075	2,024,287	-	2,235,362
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	306,628	-	306,628	-	306,628
Derivative financial liability	3,346	-	3,346	-	3,346
Deposits from customers	840,286	-	840,508	-	840,508
Certificates of deposit	92,975	-	92,988	-	92,988
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	661,668	-	659,463	-	659,463
Lease liabilities	8,008	-	8,008	-	8,008
Other financial liabilities	20,546	-	20,546	-	20,546
Total financial liabilities	2,003,458	-	2,001,488	-	2,001,488





Note 15 – Fair Value of Financial Instruments (continued)

Audited 31 December 2019			Estimated Fair Value				
	Carrying						
Thousands of dollars	amount	Level 1	Level 2	Level 3	Total		
Financial assets							
Cash, cash equivalents and balances with central banks	107,297	-	107,297	-	107,297		
Amounts due from related parties	23,150	-	23,150	-	23,150		
Due from banks and other financial institutions	226,362	-	226,362	-	226,362		
Investment securities	182,868	187,730	-	-	187,730		
Derivative financial assets	4,164	-	4,164	-	4,164		
Loans and advances to customers	1,717,679	-	1,720,585	-	1,720,585		
Other financial assets	6,451	-	6,451	-	6,451		
Total financial assets	2,267,971	187,730	2,088,009	-	2,275,739		
Financial liabilities							
Due to central banks and other financial institutions	1	-	1	-	1		
Amounts due to related parties	396,015	-	396,015	-	396,015		
Derivative financial liability	3,815	-	3,815	-	3,815		
Deposits from customers	814,845	-	815,969	-	815,969		
Certificates of deposit	47,697	-	47,491	-	47,491		
Subordinated loans due to related parties	70,000	-	70,000	-	70,000		
Debt securities issued	661,440	-	662,048	-	662,048		
Lease liabilities	8,356	-	8,356	-	8,356		
Other financial liabilities	18,771	-	18,771	-	18,771		
Total financial liabilities	2,020,940	-	2,022,466	-	2,022,466		

#### Note 16 – Liquidity Risk

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

The NZ Banking Group manages its liquidity risk through the Treasury Department and aims at:

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

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

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





# Note 16 – Liquidity Risk (continued)

Unaudited 30 June 2020	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	192,672	1,241	5,054	508,936	-	707,903
Deposits from customers	77,678	256,427	449,299	28,988	-	812,392
Certificates of deposit	-	8,000	35,000	-	-	43,000
Subordinated loans due to related parties	-	357	732	71,989	-	73,078
Debt securities issued	-	2,320	341,799	236,038	-	580,157
Long-term lease liabilities	-	326	985	5,302	2,644	9,257
Other financial liabilities	563	266	3,019	-	-	3,848
Total financial liabilities	270,914	268,937	835,888	851,253	2,644	2,229,636
Derivative cash flows						
Inflows from derivatives	-	97,483	55,340	11,390	-	164,213
Outflows from derivatives	-	(89,654)	(50,594)	(8,430)	-	(148,678)
Total	-	7,829	4,746	2,960	-	15,535
Off balance sheet cash flows						
Financial guarantees outflows	-	_	2,082	6,500	-	8,582
Commitments outflows	445,295	_	_	-	-	445,295
Total	445,295	_	2,082	6,500	-	453,877
Unaudited 30 June 2019 Thousands of dollars	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
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
Outflower from alonium times				(04.000)		(130,662)
Outflows from derivatives	-	(30,376)	(78,917)	(21,369)	-	(130,002)
Total	-	(30,376)	(78,917) 986	(21,369)		(814)
	-				-	
Total	8,535				-	
Total Off balance sheet cash flows	8,535 281,754			(1,106)	- -	(814)



# Note 16 – Liquidity Risk (continued)

Audited 31 December 2019	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
	Bomana	months	montho	a o youro	o youro	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	67,250	26,404	5,878	312,823	-	412,355
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	91,281	348,785	304,848	85,962	-	830,876
Certificates of deposit	-	14,500	34,000	-	-	48,500
Subordinated loans due to related parties	-	351	1,057	73,165	-	74,573
Debt securities issued	-	105,041	168,514	418,496	-	692,051
Lease liabilities	2	304	917	5,164	2,900	9,287
Other financial liabilities	24	309	3,281	-	-	3,614
Total financial liabilities	158,558	495,694	518,495	895,610	2,900	2,071,257
Derivative cash flows						
Inflows from derivatives	-	53,651	34,474	15,513	-	103,638
Outflows from derivatives	-	(53,416)	(33,695)	(15,436)	-	(102,547)
Total	-	235	779	77	-	1,091
Off balance sheet cash flows						
Financial guarantees outflows	-	10,463	16,402	3,214	-	30,079
Commitments outflows	553,692	247	1,194	-	-	555,133
Total	553,692	10,710	17,596	3,214	-	585,212

# Liquidity portfolio management

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Cash, cash equivalents and balances with central banks	364,738	77,144	107,297
Amounts due from related parties	-	-	-
Due from banks and other financial institutions	183,900	267,910	226,362
Financial securities	189,154	205,947	182,868
Total liquidity portfolio	737,792	551,001	516,527



#### Note 17 - Interest Rate Risk

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

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

A principal part of the NZ Banking Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The NZ Banking Group 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 NZ Banking Group's assets and liabilities:

Unaudited 30 June 2020	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	5,514	359,224	-	-	-	-	364,738
Amounts due from related parties	-	1,951	-	-	-	-	1,951
Due from banks and other financial institutions	-	183,900	-	-	-	-	183,900
Investment securities	(9)*	15,504	-	13,319	-	160,340	189,154
Derivative financial assets	20,156	-	-	-	-	-	20,156
Loans and advances to customers	(12,943)*	1,216,707	147,440	239,795	74,073	16,360	1,681,432
Other financial assets	4,632	-	-	-	-	159	4,791
Total financial Assets	17,350	1,777,286	147,440	253,114	74,073	176,859	2,446,122
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	582,672	108,379	-	-	-	691,051
Derivative financial liability	4,662	-	-	-	-	-	4,662
Deposits from customers	47,552	288,461	159,277	274,921	25,810	1,607	797,628
Certificates of deposit	-	7,857	34,570	-	-	-	42,427
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	401,067	2,280	31,690	18,053	107,824	560,914
Lease liabilities	-	-	-	-	59	8,330	8,389
Other financial liabilities	16,934	-	-	-	-	-	16,934
Total financial liabilities	69,148	1,315,058	339,506	306,611	43,922	117,761	2,192,006
On-balance sheet gap	(51,798)	462,228	(192,066)	(53,497)	30,151	59,098	254,116
Net derivative notional principals	-	(125,000)	2,000	23,000	-	100,000	-
Net effective interest rate gap	(51,798)	337,228	(190,066)	(30,497)	30,151	159,098	254,116

<sup>\*</sup>The whole amount relates to the impairment of financial assets.





# Note 17 – Interest Rate Risk (continued)

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
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

<sup>\*</sup>The whole amount relates to the impairment of financial assets.





Note 17 – Interest Rate Risk (continued)

Audited 31 December 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	11,954	95,343	-	-	-	-	107,297
Amounts due from related parties	-	23,150	-	-	-	-	23,150
Due from banks and other financial institutions	(1)*	226,363	-	-	-	-	226,362
Investment securities	(8)*	49,560	1,200	-	13,499	118,617	182,868
Derivative financial assets	4,164	-	-	-	-	-	4,164
Loans and advances to customers	(12,252)*	1,360,871	158,898	107,892	84,059	18,211	1,717,679
Other financial assets	6,293	-	-	-	-	158	6,451
Total financial Assets	10,150	1,755,287	160,098	107,892	97,558	136,986	2,267,971
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	168,044	227,971	-	-	-	396,015
Derivative financial liability	3,815	-	-	-	-	-	3,815
Deposits from customers	56,264	381,515	164,250	131,103	80,499	1,214	814,845
Certificates of deposit	-	14,342	5,860	27,495	-	-	47,697
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	501,599	-	2,280	41,830	115,731	661,440
Lease liabilities	-	-	-	-	30	8,326	8,356
Other financial liabilities	18,771	-	-	-	-	-	18,771
Total financial liabilities	78,850	1,100,501	433,081	160,878	122,359	125,271	2,020,940
On-balance sheet gap	(68,700)	654,786	(272,983)	(52,986)	(24,801)	11,715	247,031
Net derivative notional principals	-	(121,800)	-	(1,200)	23,000	100,000	-
Net effective interest rate gap	(68,700)	532,986	(272,983)	(54,186)	(1,801)	111,715	247,031

 $<sup>{}^{\</sup>star}\mathsf{The}$  whole amount relates to the impairment of financial assets.





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

As at balance date the NZ Banking Group 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.

#### Note 19 - Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the NZ Banking Group has become exposed since 31 December 2019.

#### Note 20 - Capital Adequacy

#### (a) ICBC NZ capital adequacy requirements

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk weighted exposures. As a condition of registration, ICBC NZ 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 'Banking Group' means ICBC NZ and its subsidiaries. As at the date of this disclosure statement, ICBC NZ does not have any subsidiaries and is the only member of the Banking Group.

For the financial year ended 30 June 2020, ICBC NZ has complied in full with its regulatory and internal capital adequacy requirements.

#### (b) Overseas Banking Group capital adequacy requirements

The Overseas Banking Group's capital adequacy ratios are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations promulgated by the China Banking and Insurance Regulatory Commission ("CBIRC"). With the approval of the CBIRC, the Overseas Banking Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Overseas Banking Group's capital adequacy ratios are required to meet the lowest requirements of CBIRC, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 5.0%, 6.0% and 8.0% respectively, in addition to a 2.5% buffer ratio and 1.5% additional capital required for global Systemically Important Banks.

Both the Overseas Bank and the Overseas Banking Group are required by the CBIRC to hold minimum capital at least equal to that specified under the Basel II Standardised Approach and are required to publicly disclose this capital adequacy information on a quarterly basis. This information is available via the Overseas Bank's website (<a href="https://www.icbc.com.cn">www.icbc.com.cn</a>).

The Overseas Bank and the Overseas Banking Group each met the capital requirements imposed on them by the CBIRC as at 31 December 2019, the latest reporting date.

The table below summarises the Overseas Bank's and Overseas Banking Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations promulgated by the CBIRC.

	30 June 2020	30 June 2019	31 December 2019
Overseas Banking Group			
Common Equity Tier 1 Capital Ratio	12.70%	12.74%	13.20%
Tier 1 Capital Ratio	13.72%	13.19%	14.27%
Total Capital Ratio	16.00%	15.75%	16.77%
Overseas Bank			
Common Equity Tier 1 Capital Ratio	12.69%	12.82%	13.29%
Tier 1 Capital Ratio	13.70%	13.20%	14.37%
Total Qualifying Capital Ratio	16.14%	15.98%	17.06%





#### Note 20 – Capital Adequacy (continued)

#### (c) Additional mortgage information

#### Residential mortgages by loan-to-valuation ratio

#### 30 June 2020

***************************************				
Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	450,323	-	-	450,323
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
31 December 2019				
Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	481,626	-	-	481,626

#### Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Residential mortgage loans (as disclosed in Note 5)			
On balance sheet exposures			
Residential – owner occupied	255,741	312,151	270,622
Residential - investment	197,316	232,637	213,888
Provisions for impairment losses on loans and advances	(2,734)	(3,051)	(2,884)
Residential mortgages by loan-to-valuation ratio	450,323	541,737	481,626
Off balance sheet exposures	-	-	
Total	450,323	541,737	481,626

#### (d) 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 2020	End-period cap	oital 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	68,363	5,469	84,838	6,787	
Foreign currency risk	4,250	340	4,838	387	
Equity risk	-	-	-		
Total capital requirements	72,613	5,809	89,676	7,174	





# Note 20 – Capital Adequacy (continued)

30 June 2019	End-period cap	oital 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	-	-	-	<u> </u>	
Total capital requirements	60,813	4,865	90,475	7,238	

31 December 2019	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	61,525	4,922	86,550	6,924	
Foreign currency risk	2,975	238	6,300	504	
Equity risk	-	-	-		
Total capital requirements	64,500	5,160	92,850	7,428	

# Note 21 – Other information on the Overseas Banking Group

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As at 50 Julie 2020	
Profitability	
Net profit after tax for the 6 month period (RMB millions)	149,796
Net profit after tax for the 6 month period as a percentage of average total assets (annualised)	0.95%
Size	
Total assets (RMB millions)	33,112,010
Percentage change in total assets over the previous 6 month period	10.0%
As at 31 December 2019	
Asset quality	
Total gross individually impaired assets (RMB millions)	240,899
Total individually impaired assets as a percentage of total assets	0.80%
Total individually assessed provisions (RMB millions)	185,486
Total individually assessed provisions as a percentage of total gross individually impaired assets	77.00%
Total collective provision (RMB millions)	330,023





# Independent Review Report

To the shareholder of Industrial and Commercial Bank of China New Zealand Banking Group

#### Report on the half-year disclosure statement

#### **Conclusion**

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

- the consolidated interim financial statement formed of:
  - the consolidated statement of financial position as at 30 June 2020;
  - the consolidated statement of comprehensive income, changes in equity and cash flows for the six-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, 12 and 14 of the Order.

Based on our review of the consolidated interim financial statement and supplementary information of the Industrial and Commercial Bank of China Limited, Auckland Branch (the 'Branch') and its subsidiaries (the "Banking Group") on pages 10 to 45, nothing has come to our attention that causes us to believe that:

- the consolidated interim financial statements do not present fairly in all material respects the Banking Group's financial position as at 30 June 2020 and its financial performance and cash flows for the six-month period ended on that date;
- ii. the consolidated interim financial statements (excluding the supplementary information disclosed in accordance with Schedules 5, 7, 9, 12 and 14 of the Banking Group Disclosure Statement (Overseas 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, 12 and 14 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 Banking Groups conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclose it in accordance with Schedule 9 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 Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual consolidated financial statements.

Our firm has also provided other services to the Banking Group in relation statutory audit services. Subject to certain restrictions, partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. These matters have not impaired our independence as reviewer of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.



### **Emphasis of Matter**

We draw attention to Note 1 *Critical accounting estimates and judgements* in the interim financial statements, which describes that given the current economic uncertainties due to the ongoing COVID-19 pandemic and the judgement applied to factors used in determining the expected default of borrowers in future periods, the expected credit losses reported should be considered as a best estimate within a range of possible estimates.

Our conclusion on the consolidated interim financial statements 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 conclusions we have formed.



# Responsibilities of the Directors for the half-year disclosure statement

The Directors, on behalf of the Banking Group, 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, 12 and 14 of the Order;
- the preparation and fair presentation of the supplementary information in regard to capital adequacy and regulatory liquidity requirements in accordance with the Banking Groups conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and Schedule 9 of the Order;
- implementing necessary internal control to enable the preparation of a half-year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



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

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

- the consolidated interim financial statements do not present fairly in all material respects the Banking Group's financial position as at 30 June 2020 and its financial performance and cash flows for the six-month period ended on that date;
- the consolidated 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, 12 and 14 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 Banking Groups Conditions of Registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the

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

9 September 2020