INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the year ended 31 December 2020

Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China (New Zealand) Limited for the year ended 31 December 2020 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

(a) "Bank", "Registered Bank" or "ICBC (NZ)" means Industrial and Commercial Bank of China (New Zealand) Limited;

(b) "Banking Group" and "Group" means the Bank and its subsidiaries. As at the date of this Disclosure Statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;

(c) "ICBC", the "Ultimate Parent Bank", the "Ultimate Holding Company", the "Parent" and the "Controlling Bank" mean the Industrial and Commercial Bank of China Limited, incorporated in China;

(d) "NZD" means the New Zealand Dollar, "RMB" means the Chinese Yuan, "USD" means the United States Dollar, "HKD" means the Hong Kong Dollar, "EUR" means the European Dollar and "AUD" means the Australian Dollar;

(e) "Board" means the board of directors of the Bank; and

(f) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The financial statements of ICBC (NZ) for the year ended 31 December 2020 form part of and should be read in conjunction with this Disclosure Statement.

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

Contents

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

Address for Service

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

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

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

Nature of Business

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

Details of Ultimate Parent Bank and Ultimate Holding Company

(a) Ultimate Parent Bank

The Bank's ultimate parent bank is the Industrial and Commercial Bank of China Limited, incorporated in China (ICBC). ICBC is subject to regulatory oversight by the China Banking and Insurance Regulatory Commission (CBIRC) and the Government of the People's Republic of China (CHINA).

The registered address of ICBC is:

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

(b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

(c) Annual Report of ICBC

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

(d) Summary on restrictions of supporting the Bank

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

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

The Bank is a wholly-owned subsidiary of ICBC.

Subordination of Claims of Creditors

Priority of claims in the event of liquidation

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

Guarantee

Guarantee arrangements

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

A copy of the guarantee arrangement between the Bank and ICBC is attached (**Appendix 2**).

Details of the guarantor (Parent)

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

The address for service of ICBC is:

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

As at 31 December 2020, the most recent publicly disclosed (audited) capital of ICBC was RMB 2,909,515 million (year ended financial report - audited) (NZD 619,727 million), representing 16.88% of risk weighted exposure.

(b) Credit Rating

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

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

(c) Rating movement history

There has not been any Standard & Poor's Credit and Moody's Credit rating movement in the last 3 years.

On 29 Oct 2019, Fitch has upgraded ICBC's Short term Foreign currency bank deposits rating to F1+ from F1, reflecting the central government's ownership, a long history of state support, and its status as the largest bank in China.

Details of the guaranteed obligations (Parent)

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

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

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

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

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

Directors

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

The Board comprises:

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

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

* Hongbin Liu, resigned as Non-Executive Director on 6 August 2020.

** Wei Luo, on 23 July 2020, RBNZ issued a non-objection confirmation for the appointment of Mr Wei Luo as a non-independent/non-Executive Director. ICBC NZ Board approved Mr Luo's appointment on 6 August 2020.

Directors' Details

The name, occupation, technical or professional qualifications, country of residence, and directorships of each director of the Bank as at the date of this Disclosure Statement are as follows:

Independent Director, Chairman
Donald Thomas Brash
Consultant & Company Director
Ph.D. in Economics
Auckland
New Zealand

Directorships:
Troika Family Trust Nominees Limited, Brash Forestry Limited, Eljean's Orchard Limited, Hobson's Pledge Trustee Limited, Southpark Property Investments no. 3 Limited (from January 2021)

Executive Director
Qian Hou
Executive Director & Chief Executive Officer
Master of Economics
Auckland
New Zealand

Directorships:
Nil

Independent Directors
Martin Philipsen
Company Director
BCA, C.A., C.M.A.
Auckland
New Zealand

Directorships:
Fundit Holdings Limited, Te Toroa Limited, Philipsen Consulting Limited, Fundit Limited, Angel Advisers Limited, Investit.co.nz Limited

John Glenn Dalzell
Director
BPA, Registered Valuer
Auckland
New Zealand

Directorships:
China Machinery Engineering NZ Limited, Silk Road Construction (NZ) Limited, Silk Road Management Limited, Bare Essentials Limited, Dalzell Family Trust Limited, Cadenza Consortium Limited, Silk Road Funds Limited, Silk RM Limited, DU VAL BTR GP Limited

Non-Executive Directors
Mei Tao，
Senior Specialist, Accredited Non-executive Director to ICBC Subsidiaries, Administration Office of Directors and Supervisors to Subsidiaries, ICBC Head Office
Beijing
China

Directorships:
ICBC PERU, ICBC Canada, ICBC Almaty, ICBC Europe, ICBC Moscow

Wei Luo
Executive Director ICBC Sydney
Master of Project Management
Sydney NSW
Australia

Directorships:
Nil

Board Audit Committee
Members of the Board Audit Committee at the date of this Disclosure Statement were:

Martin Philipsen (Chair)	Independent Director
Donald Thomas Brash	Independent Director
Mei Tao	Non-Executive Director

Board Remuneration Committee
Members of the Board Remuneration Committee at the date of this Disclosure Statement were:

John Glenn Dalzell (Chair)	Independent Director
Wei Luo	Non-Executive Director
Qian Hou	Executive Director

Board Risk Committee
Members of the Board Risk Committee at the date of this Disclosure Statement were:

Donald Thomas Brash (Chair)	Independent Director
Martin Philipsen	Independent Director
John Glenn Dalzell	Independent Director
Qian Hou	Executive Director
Mei Tao	Non-Executive Director

Any document or communication may be sent to any Director at the Registered Office. The document or communication should be marked for the attention of that Director.

Policy for Avoiding and Dealing with Conflicts of Interest
The policy and current practice of the Board of Directors of the Bank for avoiding or dealing with conflicts of interest which may arise from the personal, professional or business interests of the Directors, or any of them, are that, where a Director's judgement could potentially be impaired because a conflict of interest exists between the Director's business and personal affairs and the business affairs of the Bank, then that Director must declare that the conflict of interest exists and leave the meeting for the duration of the Board's discussion and voting on the relevant matter.

The Companies Act 1993 requires that each Director cause to be entered in the interests register and disclose to the Board of the Bank:

- The nature and monetary value of the Director's interest in a transaction or proposed transaction if its monetary value is able to be quantified; or
- The nature and extent of the Director's interest in a transaction or proposed transaction if its monetary value is not able to be quantified.

Directors' Benefits
There is no transaction which any Director or immediate relative or close business associate of any Director has with the Bank or any member of the Banking Group which either has been entered into on terms other than those which would, in the ordinary course of business of the Bank or any member of the Banking Group, be given to any person of like circumstances or means, or could otherwise be reasonably likely to influence materially the exercise of their Director's duties.

Information pertaining to loans to and other transactions with Directors is disclosed in note 28 of this Disclosure Statement.

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 (New Zealand) Limited

These conditions of registration apply on and after 1 May 2020.The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

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

For the purposes of this condition of registration, —

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

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

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

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

1A. That—

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

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

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

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

(a) according to the following table, limit any distributions of the bank's earnings payable to holders of Additional Tier 1 capital instruments to the percentage limit on distributions that corresponds to the banking group's buffer ratio:

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

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

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

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 8.2(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

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

1C. That the bank must make no distributions, whether paid out of earnings, or out of accumulated previous years' retained earnings or other reserves included within the banking group's total capital, other than discretionary payments payable to holders of Additional Tier 1 capital instruments to the extent permitted by condition 1B.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 8.2(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

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

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

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

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

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

    (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
    (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
    (c) the one-year core funding ratio of the banking group is not less than 50 per cent at the end of each business day.

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

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

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

13. That no more than 10% of total assets may be beneficially owned by a SPV.

    For the purposes of this condition,—

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

    "SPV" means a person—

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

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

14. That—

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

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

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

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

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

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

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

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

In conditions of registration,—

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

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

Non-compliance with Conditions of Registration:

An internal review of the Bank’s regulatory liquidity ratios identified an error in the aggregation of a number of related party deposits. For the reporting period January to November 2020, the corrected liquidity ratios were between 0.01% to 0.59% lower than those reported to the RBNZ. The miscalculation has since been corrected in the December 2020 submission to the RBNZ, and is correct in Note 37(k) of the disclosure statement for 31 December 2020. The Bank has at all times remained above the ratio requirements stipulated in the ICBC NZ's Conditions of Registration. The incorrectly reported regulatory liquidity ratios constitutes non-compliance with ICBC NZ’s Conditions of Registration.

Changes in Condition of Registration:

1. Removal of Loan to Value Ratio (LVR) speed limit restriction on new property-investment residential mortgage loans and non-property-investment residential mortgage loans.

2. Restriction on distribution of earnings.

3. From 24 March 2020 ICBC NZ Limited core funding ratio requirement was reduced from 75% to 50% until at least March 2021. The amendment to the Bank’s conditions of registration was a measure initiated by the Reserve Bank of New Zealand to support liquidity in response to Covid-19.

The Bank’s condition of registration has been amended such that with effect from 1 March 2021:

1. LVR restrictions for owner-occupiers will be reinstated to a maximum of 20% of new lending at LVRs above 80%.
2. LVR restrictions for investors will be reinstated to a maximum of 5% of new lending at LVRs above 70%.

From 1 May 2021:

1. LVR restrictions for owner-occupiers will remain at a maximum of 20% of new lending at LVRs above 80%.
2. LVR restrictions for investors will be further raised to a maximum of 5% of new lending at LVRs above 60%.

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC NZ Rating Information

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

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

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

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

Rating Information

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

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

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

Historical Summary of Financial Statements

Thousands of dollars	31 December 2020 12 mths	31 December 2019 12 mths	31 December 2018 12 mths	31 December 2017 12 mths	31 December 2016 12 mths
Income Statement					
Interest Income	66,706	83,334	79,133	47,289	27,557
Interest Expense	(37,182)	(48,847)	(42,840)	(25,317)	(11,149)
Net Interest Income	29,524	34,487	36,293	21,972	16,408
Net gains/(losses) on financial instruments at fair value through P&L	24,565	123	12,804	7,432	(9,327)
Fees and other income	(18,965)	1,217	(11,068)	(6,402)	8,514
Total operating income	35,124	35,827	38,029	23,002	15,595
Operating expenses	(17,270)	(18,756)	(17,087)	(14,523)	(10,945)
Impairment provisioning on financial assets	(399)	14,919	(10,631)	(12,563)	(2,818)
Net profit/(loss) before taxation	17,455	31,990	10,311	(4,084)	1,832
Taxation (expense)/ benefit	(4,917)	(9,016)	(2,946)	2,885	(680)
Net profit/(loss) after taxation	12,538	22,974	7,365	(1,199)	1,152
Net profit or loss attributable to non-controlling interests	-	-	-	-	-
Ordinary Dividend	-	-	-	-	-
Significant balance sheet items					
Total Assets	2,046,057	2,281,516	2,135,815	1,662,033	903,544
Total Liabilities	1,776,150	2,024,467	1,901,740	1,522,738	763,050
Total Equity	269,907	257,049	234,075	139,295	140,494
Asset Quality					
Individually Impaired Assets	5,905	8,492	35,397	32,824	-

The information presented in the above table has been extracted from audited financial statements that have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Other Material Matters

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

Directors' Statements

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

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

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

2. During the year ended 31 December 2020, except as noted on page 10:

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

This Disclosure Statement is dated 29 March 2021 and has been signed by Qian Hou and Donald Thomas Brash as the responsible persons for and on behalf of all the Directors (by Directors' resolution):

Qian Hou
Executive Director

Donald Thomas Brash
Chairman/Independent Director

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the year ended 31 December 2020

Contents

STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Audited 31 December 2020	Audited 31 December 2019
Interest Income*	2	66,706	83,334
Interest Expense*	2	(37,182)	(48,847)
Net Interest Income		**29,524**	**34,487**
Net gains/(losses) on financial instruments at fair value through P&L	3	24,565	123
Fees and other Income	4	(18,965)	1,217
Total operating income		35,124	35,827
Operating expenses	5	(17,270)	(18,756)
Impairment provisioning on financial assets	6	(399)	14,919
Net profit/(loss) before taxation		17,455	31,990
Taxation expense	7	(4,917)	(9,016)
Net profit/(loss) after taxation		**12,538**	**22,974**
Other comprehensive income		-	-
Total comprehensive income		**12,538**	**22,974**

*All interest income and interest expense are calculated using the effective interest method.

Statement of Changes in Equity

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the year ended 31 December 2020 (audited)				
Balance at 31 December 2019		233,540	23,509	257,049
Impact of initial adoption of NZ IFRS 16		-	320	320
Balance at 1 January 2020		233,540	23,829	257,369
Capital injection from shareholders		-	-	-
Net profit/(loss) for the year		-	12,538	12,538
Total equity movement for the year		-	12,538	12,538
Balance at 31 December 2020	26	233,540	36,367	269,907
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	26	233,540	23,509	257,049

Statement of Financial Position

Thousands of dollars	Note	Audited 31 December 2020	Audited 31 December 2019
Assets			
Cash, cash equivalents and balances with central banks	9	194,788	107,297
Amounts due from related parties	21	3,024	23,150
Due from banks and other financial institutions	10	10,000	226,362
Investment securities	12	197,210	182,868
Derivative financial assets	11,14	7,698	4,164
Loans and advances to customers	13,27	1,613,933	1,717,679
Right-of-use assets	17	9,212	8,119
Current tax assets	8	491	-
Property, plant and equipment	16	153	52
Intangible assets	18	7	12
Deferred tax assets	8	4,658	4,832
Other assets	19	4,883	6,981
Total assets		**2,046,057**	**2,281,516**
Liabilities			
Due to central banks and other financial institutions	20	1	1
Amounts due to related parties	21	424,717	396,015
Derivative financial liabilities	11,14	3,292	3,815
Deposits from customers	22	650,797	814,845
Certificates of deposit	23	79,750	47,697
Subordinated loans due to related parties	24	70,000	70,000
Debt securities issued	23	523,178	661,440
Lease liabilities	17	9,645	8,356
Current tax liabilities	8	-	3,090
Deferred tax liabilities	8	876	-
Other liabilities	25	13,894	19,208
Total liabilities		**1,776,150**	**2,024,467**
Shareholder's equity			
Share capital	26	233,540	233,540
Reserves	26	36,367	23,509
Total shareholder's equity		269,907	257,049
Total shareholder's equity and liabilities		**2,046,057**	**2,281,516**
Total interest earning and discount bearing assets	29	2,029,566	2,257,821
Total interest and discount bearing liabilities	30	1,708,794	1,942,090

The accounting policies and other notes (1-37) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 29 March 2021 and are signed on their behalf by:

Qian Hou
Executive Director

STATEMENT OF CASH FLOWS

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Cash flows from operating activities		
Interest income	68,554	83,940
Other income	4,005	1,124
Interest expense	(39,359)	(51,638)
Long-term lease payments	(1,340)	(1,146)
Variable lease	(9)	(6)
Personnel expenses	(12,305)	(10,889)
Other operating expenses`	(3,900)	(5,208)
Taxes paid	(7,572)	(6,420)
Net cash flows applied to operating activities before changes in operating assets and liabilities	**8,074**	**9,757**
Changes in operating assets and liabilities arising from cash flow movements:		
(Increase)/decrease in loans and advances to customers	102,636	(9,165)
Increase/(decrease) in deposits from customers	(164,048)	178,856
Increase/(decrease) in amounts due to related parties	(23,190)	(90,700)
Increase/(decrease) in other liabilities	(410)	28
(Increase)/decrease in amounts due from related parties	20,126	(12,914)
Increase/(decrease) in certificates of deposit	32,053	(88,454)
Net change in operating assets and liabilities	**(32,833)**	**(22,349)**
Net cash flows applied to operating activities	**(24,759)**	**(12,592)**
Cash flows applied to investing activities		
Purchase of property, plant and equipment	(144)	(7)
Purchase of intangible assets	-	(14)
Purchase of investment securities	(15,146)	(72,216)
Net cash flows applied to investing activities	(15,290)	(72,237)
Cash flows applied to financing activities		
Capital injection from shareholders	-	-
Receipts from subordinated loans due to related parties	-	-
Receipts/(repayments) from issuance of debt securities	(138,696)	199,760
Net cash flows applied to financing activities	(138,696)	199,760
Increase/(decrease) in cash and cash equivalents	(178,745)	114,931
Cash and cash equivalents at beginning of year	266,407	151,604
Effect of exchange rate changes on cash and cash equivalents	(2,018)	(128)
Cash and cash equivalents	**85,644**	**266,407**
Cash and cash equivalents at end of year comprised:		
Cash, cash equivalents and balances with central banks	194,788	107,297
Due from banks and other institutions classified as cash equivalents	10,000	226,362
Due to central banks and other financial institutions classified as cash and cash equivalents	(1)	(1)
Amount due to related parties classified as cash and cash equivalents	(119,143)	(67,251)
Total cash and cash equivalents	**85,644**	**266,407**

STATEMENT OF CASH FLOWS (CONTINUED)

Thousands of Dollars	Audited 31 December 2020	Audited 31 December 2019
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net profit after taxation	**12,538**	**22,974**
Non cash movements:		
Unrealised fair value adjustments	(3,628)	567
Depreciation	43	57
Amortisation of intangibles	5	2
Amortisation of Right-of-use assets	1,317	1,040
Amortisation of financial instruments	804	676
Gain/loss on modification of lease contracts	-	124
Increase/(decrease) in allowance for impairment losses	404	(14,928)
Loss on written-off financial assets	-	9
Bad debts recovery	(6)	-
Unrealised foreign exchange gain/(loss)	2,034	(906)
(Increase)/decrease in deferred taxation	926	3,959
Amortisation of debt securities issued	(10)	26
Increase/(decrease) in operating assets and liabilities	**1,889**	**(9,374)**
(Increase)/decrease in interest receivable	1,989	615
Increase/(decrease) in interest payable	(2,387)	(3,037)
(Increase)/decrease in loans and advances to customers	102,636	(9,165)
Increase/(decrease) in deposits from customers	(164,048)	178,856
Increase/(decrease) in certificates of deposit	32,053	(88,454)
Increase/(decrease) in lease liabilities	(1,121)	(927)
Increase/(decrease) in other liabilities	(1,773)	220
Increase/(decrease) in amounts due to related parties	(23,190)	(90,700)
(Increase)/decrease in current taxation	(3,581)	(1,363)
(Increase)/decrease in other assets	110	677
(Increase)/decrease in amounts due from related parties	20,126	(12,914)
Net cash flows applied to operating activities	**(24,759)**	**(12,592)**

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2020 (audited)

Thousands of Dollars	Balance at the beginning of the year	Net Cash flow	Non-cash changes: Amortisation	Non-cash changes: Foreign Exchange movement	31 December 2020
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	661,440	(138,696)	(10)	444	523,178
Total liabilities from financing activities	731,440	(138,696)	(10)	444	593,178

For the year ended 31 December 2019 (audited)

Thousands of Dollars	Balance at the beginning of the year	Net Cash flow	Non-cash changes: Amortisation	Non-cash changes: 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 (New Zealand) Limited (the "Bank"). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements are for the twelve months ended 31 December 2020.

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

They were approved for issue by the Directors on 29 March 2021. The address of the Bank's registered office is Level 11, 188 Quay Street, Auckland 1010, New Zealand. The Bank provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

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

The financial statements have been prepared 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, amounts due from banks and other financial institutions are treated as cash and cash equivalents as these are short-term highly liquid investments with original maturities of less than three months from the date of acquisition.

(3) Presentation Currency

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

(4) Critical accounting estimates and judgements

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

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

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

- Impairment Allowance: determining inputs into the Expected Credit Loss (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.

The most recent economic data (GDP, unemployment rate, business activity etc.) shows the NZ economy as having been resilient. However the period includes limited business disruption, with Covid-19 being largely well contained within NZ compared to most countries and a significant levels of government stimulus. There remains potential for further domestic economic impact through the disruptive impacts of Covid-19, for further impacts on some customers as relief packages taper off and for further economic impacts with New Zealand's trading partners (which ultimately impacts export weighted customers). We continue to closely monitor business borrowers and the performance of home loans. Applying judgement to the situation, there remains the potential for some retreat in economic performance, but more specifically that the full-term impact of Covid-19 remains: a) uncertain and b) the impact on individual borrowers is uneven. There remains the potential for credit risks beyond the current ECL to emerge in relation to individual borrowers, at least until such time as the global spread of Covid-19 is contained and reduced.

Note 1 - Accounting Policies (continued)

Based on this judgement and the performance of the loan portfolio to-date, we have identified a need to continue to apply an overlay of $3.3 million reflecting the remaining uncertainty.

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 31 December 2020.

(5) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated, and noted in (o) “change in accounting policy” below.

(a) Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are translated into NZD at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the profit or loss.

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

(b) Revenue recognition

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

(i) Interest income and expense

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

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

(ii) Lending Fees

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

(iii) Commission and Other Fees

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

(i) Fee income on transactions conducted or from services provided over a period of time

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

(ii) Fee income from providing transaction services

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

(iv) Other Income

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

Note 1 - Accounting Policies (continued)

(c) Expense recognition
All other expenses, excluding interest expense, are recognised in the statement of comprehensive income on an accrual basis.

(d) Classification and Measurement of Financial Assets and Financial Liabilities

Classification
Financial assets are classified includes items such as cash and cash equivalents and balances with central banks, due from banks and other financial institutions, financial assets at fair value through profit or loss, loans and receivables, and investment securities.

According to NZ IFRS 9, financial assets are classified into the following categories:

- Those to be measured at amortised cost; and
- Those to be measured at fair value through profit or loss.

The classification depends on the Bank's business model for managing financial assets and the contractual characteristics of financial asset. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets measured at amortised cost
A financial asset is measured at amortised cost only if it meets both the following conditions:

- Business model objective: financial assets held in order to collect contractual cash flows; and
- Contractual cash flow characteristics: solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value plus direct attributable transaction costs and subsequently measured at amortised cost. Financial assets measured at amortised cost include:

Cash, cash equivalents and balances with central banks
Cash, cash equivalents, and balances with central banks include cash and cash at bank, settlement account balance with central bank and other financial institutions, cash in transit, bank overdrafts.

Due from banks and other financial institutions
Due from banks and other financial institutions includes term deposits with other financial institutions.

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

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

Investment securities
Investments securities are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Bank has the positive intention and ability to hold to maturity, and which are not designated as at FVTPL or FVOCI.

Investment securities are measured at amortised cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the profit or loss when the investment securities are derecognised or impaired, as well as through the amortisation process. All the financial investments are bond investments. A sale or reclassification of a more than insignificant amount of investment securities would result in the reclassification of all investment securities. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

(a) Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
(b) Sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
(c) Sales are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated

(ii) Financial assets measured at fair value through profit and loss
A financial asset is measured at fair value through profit and loss if it does not meet the amortised cost criteria. Financial assets held at fair value through profit or loss are initially recognised at fair value, with transaction costs being recognised in the income statement as incurred. Subsequently, they are measured at fair value with gains and losses recognised in the income statement as they arise.

Note 1 - Accounting Policies (continued)

Where a financial asset is held at fair value, the movement in fair value attributable to interest rate market movements is either an observable market value or calculated based on changes in observable market interest rates for swaps. The movement in fair value attributable to changes in credit risk is established through a statistical-based calculation to estimate expected losses attributable to adverse movements in credit risk.

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

(a) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or from recognising the gains and losses on them on different bases;
(b) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or
(c) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

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

Derivative assets
Derivative instruments are contracts whose value is derived from one or more underlying variables such as a special interest rate or index as defined in the contract. Derivative assets are measured at fair value through profit or loss.

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

Due to central banks and other financial institutions/Amount due to related parties
This represents amounts due to other banks, apart from those designated as at fair value through profit or loss.

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

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

Debt Securities Issued/Certificates of deposit
Debt Securities Issued is recognised in the balance sheet including accrued interest. When fair value hedge accounting is applied to fixed rate debt securities issued, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

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

Transaction cost, specifically debt issue costs, include costs incurred directly attributable to the issuance of the debt, such as legal costs and lead manager fee.

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

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

Derivative liabilities
Derivative instruments are contracts whose value is derived from one or more underlying variables such as a special interest rate or index as defined in the contract. Derivative liabilities are measured at fair value through profit or loss.

Note 1 - Accounting Policies (continued)

Derecognition of financial assets and liabilities

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

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

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

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

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

Derivative financial instruments

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

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

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

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

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

(f) Asset quality
The Bank recognises loss allowances for expected credit losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

- cash and cash equivalent;
- due from banks and other financial instruments;
- investment securities;
- loans and receivables; and
- loan commitments and financial guarantee contracts.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Bank also apply the low credit risk exemption credit business secured with the pledge of high-quality financial assets or credit support provided by high-quality financial institution and sovereign entities is known as”high-quality credit business”:

- the pledge of high-quality financial assets means the conduct that the borrower or a third person(hereafter referred to as the “pledgor”)hands over financial assets that are legally held, acceptable to the Bank and have good risk mitigation capacity to the lending branch (including the branch accepting bank acceptance draft, the branch issuing the L/C and the branch issuing the L/C or standby L/C) for possession or completion of the pledge registration procedure according to the low and provides a pledge guarantee for the lending branch for the purpose of applying for the credit business.

Note 1 - Accounting Policies (continued)

- the credit support of high-quality financial institutions and sovereign entities (hereafter referred to as the "high-quality institutional credit support")means the credit risk mitigation mode that a high-quality financial institution with good solvency or a high-quality sovereign entity directly takes the credit risk of the customer while the Bank bears the credit risk of the high-quality financial institution or sovereign entity, so that the Bank can seek a recourse against the third-party institution bearing the credit risk of the customer when the customer defaults to assure timely realisation of the creditor's right in full amount.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments".

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Credit-impaired financial assets
At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as other financial liabilities;

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Note 1 - Accounting Policies (continued)

Recoveries of amounts previously written off are included in “impairment losses on financial instruments” in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank’s procedures for recovery of amounts due.

Measurement of impairment
Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate.

Reversal of impairment
If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

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

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

Classification	Estimated Useful Life	Estimated Residual Value	Annual Depreciation Rate
Office equipment, furniture and fittings	5 years	-	20%
Computer hardware	3 years	-	33.3%
Leasehold improvements	Lesser of 5 years or the remaining term of the lease	-	20%

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

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

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

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

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

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

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

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

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

Note 1 - Accounting Policies (continued)

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

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

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

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

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

(j) Contingent liabilities and credit commitments
A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.
The Bank issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation. They are disclosed as contingent liabilities at their face value.

(k) Leases
The Bank leases many assets, including properties, motor vehicles, and office equipment.

As a lessee, the Bank previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under NZ IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most leases on balance sheet. However, the Bank has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (less than 12 months). In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases.

The right-of-use assets is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease lease liabilitiy.

The lease liability is initially measured at the present value of the lease payments that at not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be reality determinded, the Bank's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability, and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(l) Share capital

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

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

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

Note 1 - Accounting Policies (continued)

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

(o) 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 Bank as at 31 December 2020.

(p) NZ IFRS Accounting Standards Issued but Not Yet Effective
There is no new standards and amendments to standards relevant to the Bank are not yet effective and have not yet been applied in preparing the financial statements.

(6) Comparative Financial Statements
Certain comparative balances have been recalculated to ensure consistency with the current financial year's presentation. These recalculation have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement note affected is Note 34(d).

Note 2 - Interest Income and Interest Expense

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Interest Income		
Loans and advances to customers	58,322	73,788
Government and local authority securities	773	694
Due from other financial institutions	1,687	3,751
Amounts due from related parties	8	58
Other securities	4,989	4,695
Cash and liquid assets	13	70
Income from derivative	914	278
Total interest income	66,706	83,334
Interest expense		
Deposits from customers	15,783	20,694
Debt securities issued	13,801	19,644
Secured and unsecured borrowings	12	459
Amounts due to related parties	7,364	7,831
Lease liabilities	219	219
Other interest expenses	3	-
Total interest expense	37,182	48,847

Note 3 - Net Gains/(Losses) on Financial Instruments at Fair Value through Profit or Loss

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Financial assets designated at fair value through profit or loss upon initial recognition	-	-
Derivative financial instruments	24,565	123
Financial liabilities designated at fair value through profit or loss upon initial recognition	-	-
Total net gains/(losses) on financial instruments at fair value through profit or loss	24,565	123

Note 4 – Fees and Other Income

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Banking and lending fee income	755	917
Payment services fee income	506	681
Net foreign exchange gains/(losses)	(20,425)	(276)
Gains/(losses) on modification of lease	-	(124)
Other revenue	199	19
Total other income	(18,965)	1,217

Note 5 - Operating Expenses

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Auditor's remuneration:		
Audit of financial statements	185	178
Review of financial statements	32	32
Other assurance services	11	11
Taxation and other services	-	6
Fees paid to auditors	228	227
Amortisation and Depreciation:		
Computer hardware	35	29
Office equipment	1	1
Furniture, fittings, and leasehold improvements	7	27
Amortisation of intangible assets	5	2
Total amortisation and depreciation	48	59
Employee benefits:		
Wages and salaries	11,627	10,997
Kiwi Saver Contribution	88	65
Other Employment-Related Expenses	198	232
Total employee benefits	11,913	11,294
Lease expenses:		
Amortisation of Right-of-use assets	1,317	1,040
Short term lease payments	31	49
Variable lease payments	9	6
Total lease expenses	1,357	1,095
Other expenses:		
Tax advisory services	96	100
Donations	3	50
Directors' fees	270	270
Professional consulting fee	270	1,403
Building occupation costs	347	330
Promotion and marketing costs	194	466
Membership fee	153	281
Other operating expenses	2,391	3,181
Total other expenses	3,724	6,081
Total operating expenses	17,270	18,756

Note 6 - Impairment Allowance

Audited 31 December 2020

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 31 December 2020
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,166	7,189	9	-	265	-	9,630
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	17	-	-	-	-	-	17
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 2020	1	2,753	10,614	9	-	265	-	13,642

Audited 31 December 2019

Impairment allowance

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

Note 6 - Impairment Allowance (continued)

Movement in provision for credit impairment Thousands of dollars	Audited 31 December 2020 Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,314	-	-	570	2,884
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(17)	17	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	(131)	-	-	-	(131)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	2,166	17	-	570	2,753
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/(recovery) to statement of comprehensive income in current year	-	-	-	(6)	(6)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	6	6
Balance as at 31 December 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/(recovery) to statement of comprehensive income in current year	1,247	-	-	-	1,247
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	7,189	-	-	3,425	10,614
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/(recovery) to statement of comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	9	-	-	-	9

Note 6 - Impairment Allowance (continued)

Movement in provision for credit impairment Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
	Audited 31 December 2020				
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/(recovery) to statement of comprehensive income in current year	(1)	-	-	-	(1)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	976	-	-	-	976
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	(711)	-	-	-	(711)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020*	265	-	-	-	265
Total charge/(recovery) to statement of comprehensive income in current year	405	-	-	(6)	399
Total impairment allowance as at 31 December 2020	9,630	17	-	3,995	13,642

*The provision for loan commitments and financial guarantee contracts is included in other liabilities (note 25).

Note 6 - Impairment Allowance (continued)

Movement in provision for credit impairment Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
	Audited 31 December 2019				
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 comprehensive income in current year	(584)	-	-	263	(321)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2019	2,314	-	-	570	2,884
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 comprehensive income in current year	1	-	-	(5)	(4)
Bad debts written off	-	-	-	(9)	(9)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2019	1	-	-	-	1
Corporate and institutional					
Balance at beginning of period	3,789	-	-	19,675	23,464
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	2,153	-	-	(16,250)	(14,097)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2019	5,942	-	-	3,425	9,367
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 comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2019	8	-	-	-	8

Note 6 - Impairment Allowance (continued)

Movement in provision for credit impairment Thousands of dollars	Audited 31 December 2019 Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(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	1,475	-	-	-	1,475
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(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

*The provision for loan commitments and financial guarantee contracts is included in other liabilities (note 25).

The following explains how significant changes in the gross carrying amount of financial assets during the year have contributed to the changes in the impairment allowance.

– Specific provision lifetime ECL – credit impaired (stage 3) decreased by $15,992K. This is due to a recovery of credit impaired loan in prior years.

Note 7 - Taxation

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Net profit/(loss) before taxation	17,455	31,990
Tax calculated at a tax rate of 28%	4,888	8,957
(Under)/over provision from prior period	-	-
Temporary differences not previously recognised	-	-
Utilisation of tax losses previously unrecognised	-	-
Other permanent differences	29	59
Taxation charge as per the statement of comprehensive income	4,917	9,016
Represented by:		
Current tax	3,991	5,057
Deferred tax	926	3,959
Taxation charge as per the statement of comprehensive income	4,917	9,016
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:		
Employee entitlements	(57)	(6)
Accelerated depreciation	36	9
Allowances for impairment losses	(113)	4,180
Other provisions and accruals	44	(84)
Other temporary differences	1,016	(140)
Tax effect of change in tax rate	-	-
Amortisation of intangibles	-	-
Recognised tax losses	-	-
Total temporary differences	926	3,959

Imputation credits

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Balances available for use in subsequent reporting periods		
Imputation credit account	18,857	14,371

The above amount represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the amount of the provision for income tax

Note 8 – Current and Deferred Taxation

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Current income tax (payable)/receivable		
Balance at beginning of the year	(3,090)	(4,453)
(Under)/over provision from prior period	(2)	151
Tax on profits/(losses) taken to reserves	-	-
Transfer from/(to) deferred tax	-	-
Current Year Tax charge	(3,989)	(5,208)
Utilisation of tax losses	-	-
Related party purchase of tax losses	-	-
Refundable Tax credits	-	-
Tax refunded	-	-
Tax paid in current year	7,572	6,420
Balance at end of the year	491	(3,090)
Deferred tax		
Balance at beginning of the year	4,832	8,791
Impact of initial adoption of NZ IFRS 16	(124)	-
Under/(over) provision from prior period	2	(151)
Temporary differences for the year	(928)	(3,808)
Tax on losses carried forward	-	-
Tax effect of change in tax rate	-	-
Credit to current tax	-	-
Balance at end of the year	3,782	4,832
Deferred tax assets		
Employee entitlements	474	417
Accelerated depreciation	231	268
Other provisions and accruals	133	301
Other temporary differences	-	140
Losses recognised in deferred tax	-	-
Allowance for loan impairment	3,820	3,706
Total deferred tax assets	4,658	4,832
Deferred tax liabilities		
Accelerated depreciation	-	-
Other temporary differences	(876)	-
Intangible assets	-	-
Total deferred tax liabilities	(876)	-
Net deferred taxation	3,782	4,832

These tax benefits relate solely to temporary differences and are only available to the Bank if the income tax legislation's requirements are met, and the bank continues to remain profitable. There were no tax losses carried forward (31 December 2019: nil).

Note 9 – Cash, Cash Equivalents and Balances with Central Banks

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Cash on hand	-	-
Cash with central banks	176,621	56,631
Call and overnight advances to financial institutions	18,167	50,666
Total cash and cash equivalents	194,788	107,297

Note 10 – Due from Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
NZ Registered Banks	10,000	226,362
Overseas Registered Banks	-	-
Other	-	-
Total amount due from other financial institutions	10,000	226,362
Current	10,000	226,362
Non-Current	-	-

Note 11 – Offsetting financial assets and financial liabilities

The Bank does not offset its financial assets and financial liabilities in the balance sheet as both requirements are not met.

Derivative assets and liabilities

Derivative financial instrument contracts are typically subject to International Swaps and Derivatives Association ("ISDA") master netting agreements.

Audited 31 December 2020 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments not offset	Net Amount
Financial Assets			
Derivative financial instruments	7,698	(1,227)	6,471
	7,698	(1,227)	6,471
Financial Liabilities			
Derivative financial instruments	3,292	(1,227)	2,065
	3,292	(1,227)	2,065

Audited 31 December 2019 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments not offset	Net Amount
Financial Assets			
Derivative financial instruments	4,164	(1,046)	3,118
	4,164	(1,046)	3,118
Financial Liabilities			
Derivative financial instruments	3,815	(1,046)	2,769
	3,815	(1,046)	2,769

Note 12 – Investment Securities

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Government stock and multilateral development banks	6,053	6,199
Local authority securities	64,421	63,245
Other debt securities	126,736	113,424
Total investment securities	197,210	182,868
Current	18,135	36,754
Non-Current	179,075	146,114

These assets have been categorised as Financial Assets measured at amortised cost, on the basis that they form a portfolio complying with RBNZ's BS13A and there is an active market for such assets.

Note 13 – Loans and Advances to Customers

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Residential mortgage loans	457,688	484,510
Corporate exposures	1,169,552	1,245,356
Credit Cards	61	65
Other exposures	-	-
Allowance for impairment losses	(13,368)	(12,252)
Total net loans and receivables	1,613,933	1,717,679
Current	375,149	379,897
Non-Current	1,238,784	1,337,782

Note 14 – Derivative Financial Instruments

Audited 31 December 2020	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Foreign exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	79,752	1,276	-
- Option Contracts	-	-	-
Total Foreign exchange derivatives	79,752	1,276	-
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	366,000	6,422	3,292
- Option Contracts	-	-	-
Total Interest Rate derivatives	366,000	6,422	3,292
Total		7,698	3,292

Audited 31 December 2019	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Forward exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	81,087	1,559	711
- Option Contracts	-	-	-
Total Foreign exchange derivatives	81,087	1,559	711
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	342,200	2,605	3,104
- Option Contracts	-	-	-
Total Interest Rate derivatives	342,200	2,605	3,104
Total		4,164	3,815

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

Note 15 – Subsidiaries

As at 31 December 2020, the Bank does not have any subsidiaries (31 December 2019: Nil).

Note 16 – Property, Plant & Equipment

Audited 31 December 2020

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, Fittings & Leasehold Improvements	Other Assets	Total
At cost	885	114	1,724	-	2,723
Accumulated depreciation	(853)	(113)	(1,705)	-	(2,671)
Opening carrying amount	32	1	19	-	52
Additions	136	8	-	-	144
Disposals	-	-	-	-	-
Depreciation	(35)	(1)	(7)	-	(43)
Write offs	-	-	-	-	-
Closing carrying amount	133	8	12	-	153
Total At cost	1,021	122	1,724	-	2,867
Total Accumulated depreciation	(888)	(114)	(1,712)	-	(2,714)
Total Closing carrying amount	133	8	12	-	153

Audited 31 December 2019

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, Fittings & Leasehold Improvements	Other Assets	Total
At cost	885	113	1,718	-	2,716
Accumulated depreciation	(824)	(112)	(1,678)	-	(2,614)
Opening carrying amount	61	1	40	-	102
Additions	-	1	6	-	7
Disposals	-	-	-	-	-
Depreciation	(29)	(1)	(27)	-	(57)
Write offs	-	-	-	-	-
Closing carrying amount	32	1	19	-	52
Total At cost	885	114	1,724	-	2,723
Total Accumulated depreciation	(853)	(113)	(1,705)	-	(2,671)
Total Closing carrying amount	32	1	19	-	52

Note 17 – Leases

Audited 31 December 2020

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-Use assets				
Balance as at 1 January 2020	7,997	77	45	8,119
Additions	838	-	-	838
Adjustment due to lease review	1,572	-	-	1,572
Disposals	-	-	-	-
Amortisation	(1,271)	(37)	(9)	(1,317)
Balance as at 31 December 2020	9,136	40	36	9,212
Lease Liabilities				
Balance as at 1 January 2020	8,231	78	47	8,356
Additions	838	-	-	838
Adjustment due to lease review	1,572	-	-	1,572
Lease payments	(1,292)	(38)	(10)	(1,340)
Interest expense on lease liabilities	217	1	1	219
Balance as at 31 December 2020	9,566	41	38	9,645

Audited 31 December 2019

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-Use assets				
Balance as at 1 January 2019	8,137	113	-	8,250
Additions	-	-	51	51
Adjustment due to lease review	858	-	-	858
Disposals	-	-	-	-
Amortisation	(998)	(36)	(6)	(1,040)
Balance as at 31 December 2019	7,997	77	45	8,119
Lease Liabilities				
Balance as at 1 January 2019	8,137	113	-	8,250
Additions	-	-	51	51
Adjustment due to lease review	982	-	-	982
Lease payments	(1,105)	(37)	(4)	(1,146)
Interest expense on lease liabilities	217	2	-	219
Balance as at 31 December 2019	8,231	78	47	8,356

The Bank's lease portfolio:

Real estate leases

Head Office: The Bank leases its head office. During the year the area of the head office had been extended, and the new office was available from 1st July 2020. The lease payments have increased by 3.25% every year.

Branch Office: The Bank leases its branch office. In 2019, the Bank opted to extend the lease for a further 6 years, and no further rights of renewal were granted. The lease payments are adjusted every year, based on the change in the consumer price index in the preceding year.

BCP Office: There is a new 5 years' lease of BCP office started on 21st February 2020, which has option to extend the lease for a further 5 years.

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

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

Short-term lease The short-term lease contracts have been matured, and there are no short-term lease by the end of 2020.

Note 17 – Leases (continued)

Commitment of lease payments

Audited 31 December 2020

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Short term Leases	Total
Not later than One year	1,477	36	11	-	1,524
Later than One Year and Not Later than Two Years	1,503	5	11	-	1,519
Later than Two Years and Not Later than Five Years	4,424	-	18	-	4,442
Later than Five Years	2,851	-	-	-	2,851
Total	10,255	41	40	-	10,336

Audited 31 December 2019

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Short term Leases	Total
Not later than One year	1,169	37	11	6	1,223
Later than One Year and Not Later than Two Years	1,208	36	11	-	1,255
Later than Two Years and Not Later than Five Years	3,876	5	28	-	3,909
Later than Five Years	2,900	-	-	-	2,900
Total	9,153	78	50	6	9,287

Note 18 – Intangible Assets

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Goodwill	-	-
Computer software	7	12
Computer software work in progress	-	-
Total intangible assets	7	12
Computer software		
Cost brought forward	25	11
Accumulated amortisation brought forward	(13)	(11)
Opening net book value	12	-
Additions	-	14
Amortisation	(5)	(2)
Closing net book value	7	12

Note 19 – Other Assets

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Other receivables	585	694
Commissions receivable	-	-
Interest receivable	4,298	6,287
Trade and other receivables	4,883	6,981
Current	4,711	6,764
Non-Current	172	217

Note 20 – Due to Central Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Loans from other banks	-	-
Loans from central bank	-	-
Items in course of settlement	1	1
ATM cash at other banks	-	-
Total due to other financial institutions	1	1
Current	1	1
Non-Current	-	-

Note 21 – Balances with Related Parties

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Amounts due from ultimate parent	3,024	23,150
Amount due from controlled entities of ultimate parent	-	-
Total amount due from related parties	3,024	23,150
Current	3,024	23,150
Non-Current	-	-
Amounts due to ultimate parent	424,289	395,815
Amount due to controlled entities of ultimate parent	428	200
Total amount due to related parties	424,717	396,015
Current	119,143	93,044
Non-Current	305,574	302,971

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 31 December 2020 is NZ$11,243K (31 December 2019: NZ$6,448K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches. Refer to Note 28 for transactions with related parties.

2. ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC (NZ) Vostro account was NZ$119M as at 31 December 2020 (31 December 2019: NZ$67M).

3. As at 31 December 2020, ICBC (NZ) has issued NZ$70m 5-years subordinated loan to ICBC Head Office (Note 24).The accrued interest of subordinated loan is NZ$199K as at 31 December 2020 (31 December 2019: $354K).

Note 22 – Deposits from Customers

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Demand deposits not bearing interest	49,294	56,264
Demand deposits bearing interest	13,680	32,530
Term deposits	587,823	726,051
Total deposits	650,797	814,845
Current	626,940	732,633
Non-Current	23,857	82,212

Note 23 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Certificates of deposit (CDs)	79,750	47,697
Other debt securities	523,178	661,440
Total debt securities issued	602,928	709,137
Current	266,580	306,576
Non-Current	336,348	402,561

Audited
31 December 2020
Certificates of deposits (CDs) issued

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	0.68 (fixed)	4 February 2021	10,000	9,983	9,983
New Zealand Dollar	0.63 (fixed)	5 February 2021	10,000	9,984	9,984
New Zealand Dollar	0.60 (fixed)	23 February 2021	20,000	19,968	19,968
New Zealand Dollar	0.64 (fixed)	25 May 2021	30,000	29,905	29,905
New Zealand Dollar	1.068 (fixed)	14 May 2021	10,000	9,910	9,910
				79,750	79,750

Audited
31 December 2019
Certificates of deposits (CDs) issued

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	2.425 (fixed)	8 May 2020	4,000	3,905	3,905
New Zealand Dollar	1.720 (fixed)	9 October 2020	10,000	9,831	9,751
New Zealand Dollar	1.820 (fixed)	25 September 2020	8,000	7,857	7,803
New Zealand Dollar	2. 325 (fixed)	10 June 2020	2,000	1,955	1,955
New Zealand Dollar	2.685 (fixed)	11 February 2020	4,500	4,383	4,383
New Zealand Dollar	1.975 (fixed)	27 November 2020	10,000	9,807	9,735
New Zealand Dollar	1.690 (fixed)	11 March 2020	10,000	9,959	9,959
				47,697	47,491

On 28 March 2020, S&P Global Ratings confirmed a credit rating of “A-1” for Industrial and Commercial Bank of China (New Zealand) Limited's Certificate of Deposit Programme.

Note 23 – Certificates of Deposit and Debt Securities Issued (continued)

Medium term notes issued			**Audited 31 December 2020**			**Audited 31 December 2019**		
Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
AU Dollar	3 month BBSW+135bp	22 December 2020	-	-	-	5,000	5,200	5,200
AU Dollar	3 month BBSW+125bp	22 December 2020	-	-	-	10,000	10,399	10,399
New Zealand Dollar	3 month NZD BKBM+110bp	15 November 2020	-	-	-	140,000	140,000	140,000
New Zealand Dollar	3 month NZD BKBM+120bp	24 February 2020	-	-	-	100,000	100,000	100,000
New Zealand Dollar	3 month NZD BKBM+110bp	11 June 2021	100,000	100,000	100,000	100,000	100,000	100,000
New Zealand Dollar	3 month NZD BKBM+110bp	15 February 2021	45,000	45,000	45,000	45,000	45,000	45,000
New Zealand Dollar	3.47 (fixed)	27 September 2021	140	140	144	140	140	143
New Zealand Dollar	3.47 (fixed)	13 March 2021	28,190	28,190	28,190	28,190	28,190	28,710
New Zealand Dollar	3.99 (fixed)	15 February 2020	-	-	-	1,000	1,000	1,000
New Zealand Dollar	3.47 (fixed)	13 October 2020	-	-	-	1,500	1,500	1,519
New Zealand Dollar	3.47 (fixed)	15 November 2020	-	-	-	780	780	788
New Zealand Dollar	3.47 (fixed)	27 February 2021	1,500	1,500	1,500	1,500	1,500	1,529
New Zealand Dollar	3.47 (fixed)	13 March 2021	500	500	500	500	500	509
New Zealand Dollar	3.47 (fixed)	15 March 2021	1,500	1,500	1,500	1,500	1,500	1,527
New Zealand Dollar	3.13 (fixed)	20 September 2021	10,000	10,000	10,247	10,000	10,000	10,145
New Zealand Dollar	3.20 (fixed)	31 May 2022	1,713	1,713	1,773	1,713	1,713	1,734
New Zealand Dollar	3.38 (fixed)	23 March 2023	432	432	460	432	432	444
New Zealand Dollar	3.25 (fixed)	24 August 2022	7,600	7,600	7,971	7,600	7,600	7,766
New Zealand Dollar	3.35 (fixed)	22 March 2022	6,200	6,200	6,442	6,200	6,200	6,333
New Zealand Dollar	3 month NZD B KBM+100bp	27 June 2022	100,000	99,955	100,000	100,000	99,892	100,000
New Zealand Dollar	2.61 (fixed)	27 June 2024	100,000	99,879	105,895	100,000	99,894	99,302
New Zealand Dollar	3 month NZD BKBM+100bp	27 June 2022	120,000	120,569	120,000	-	-	-
				523,178	529,622		661,440	662,048

On 28 March 2020, S&P Global Ratings confirmed a credit rating of “A” for Industrial and Commercial Bank of China (New Zealand) Limited's Medium Term Note Programme.

Note 24 – Subordinated Loans due to Related Parties

Audited
31 December 2020
Subordinated loans due to related parties

Issue Currency	Coupon Rate %	Issue Date	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	6 months NZD BKBM+80bps	23 November 2017	23 November 2022	35,000	35,000	35,000
New Zealand Dollar	6 months NZD BKBM+80bps	9 February 2018	9 February 2023	35,000	35,000	35,000
					70,000	70,000

Audited
31 December 2019
Subordinated loans due to related parties

Issue Currency	Coupon Rate %	Issue Date	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	6 months NZD BKBM+80bps	23 November 2017	23 November 2022	35,000	35,000	35,000
New Zealand Dollar	6 months NZD BKBM+80bps	9 February 2018	9 February 2023	35,000	35,000	35,000
					70,000	70,000

The subordinated loans due to related parties of NZ$70m as at 31 December 2020 are 5-year term of unsecured debts.

Note 25 – Other Liabilities

Thousands of dollars	**Audited 31 December 2020**	**Audited 31 December 2019**
Employee entitlements		
Accrued wages/salaries	68	68
Accrued Kiwi Saver Pension liability	-	-
Other Employee entitlements Accrued	2,749	2,933
Accounts payable	11	631
Interest payable	7,744	10,131
Provision for impairment on loan commitments and financial guarantee contracts	265	976
Other payables and deferred revenue	3,057	4,469
Total other liabilities	13,894	19,208
Current	13,067	17,580
Non-Current	827	1,628

Note 26 – Equity

Thousands of dollars	**Audited 31 December 2020**	**Audited 31 December 2019**
Share capital	233,540	233,540
Retained earnings	36,367	23,509
Total equity	269,907	257,049

	31 December 2020	**31 December 2019**
Equity	Number of shares	Number of shares
Number of shares at the start of the period	233,539,975	233,539,975
Shares issued during the period	-	-
Number of shares at the end of the period	233,539,975	233,539,975

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

Note 27 – Asset Quality

The bank measure the ECL of the financial assets based on the portfolio homogeneous of the assets. The basic consideration of portfolio homogeneous is mainly focused on the following three factors:

1. Portfolio classification: Financial asset portfolios are classified mainly based on the existing business category.

2. Business model: For each portfolio of financial assets need to be categorised into one of the following models:

- "Hold-to-collect" business model
- "Both hold to collect and sell" business model: Portfolio of debt instruments used both to collect contractual cash flows and to sell the financial assets
- "Other strategy" business model: Portfolio of debt instruments that is neither A nor B. (e.g. held for trading or managed with objective of realising cash flows through active and frequent sales)

3. Contractual cash flows characteristics: Whether the cash flow under the contract is interest and principal.

According to the above classification and judgment creteria, the similar type of financial assets are classfied into one basket and adopted same ECL model.

Audited 31 December 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	60	457,143	1,164,192	1,621,395
Past due assets not impaired				
Less than 30 days past due	1	-	-	1
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	1	-	-	1
Individually impaired assets				
Balance at beginning of the year	-	545	7,947	8,492
Additions	6	-	-	6
Amounts written off	-	-	-	-
Deletions	(6)	-	(2,587)	(2,593)
Total individually impaired assets	-	545	5,360	5,905
Total gross loans and advances	61	457,688	1,169,552	1,627,301
Individually assessed provisions				
Balance at beginning of the year	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	6	-	-	6
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	(6)	-	-	(6)
Amounts written off	-	-	-	-
Balance at end of the period	-	570	3,425	3,995
Collectively assessed provisions				
Balance at beginning of the year	1	2,314	5,942	8,257
Charge/(credit) to the statement of comprehensive income	-	(131)	1,247	1,116
Other movements	-	-	-	-
Balance at end of the year	1	2,183	7,189	9,373
Total provisions for impairment losses	1	2,753	10,614	13,368
Net balance at end of the year	60	454,935	1,158,938	1,613,933

Note 27 – Asset Quality (continued)

The Bank does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 December 2020 (31 December 2019: nil). Therefore, the Bank does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were $422,062K as at 31 December 2020 (31 December 2019: $555,133K).

There has been $14,317 interest revenue foregone on individually impaired or greater than 90 days past due assets during the period ended 31 December 2020 (31 December 2019: $4,592).

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

Audited 31 December 2019	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
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
Net balance at end of the year	64	481,626	1,235,989	1,717,679

Note 28 – Transactions with Related Parties

(a) Key Management Personnel

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

(i) Senior management compensation

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Salaries and other short-term benefits	2,070	2,020
Other benefits	-	-
Total key management compensation	2,070	2,020

(ii) Directors' Remuneration

The name of each person holding office as a Director of the Bank throughout the financial period ended 31 December 2020 and the total remuneration received by each Director were as follows:

Thousands of dollars	Date Appointed	Audited 31 December 2020	Audited 31 December 2019
Donald Thomas Brash	30-Sep-13	95	95
Martin Philipsen	30-Sep-13	85	85
John Glenn Dalzell	30-Sep-13	90	90
Qian Hou *	23-Apr-15	-	-
Hongbin Liu **	30-Sep-13	-	-
Mei Tao ***	21-Jul-17	-	-
Wei Luo ****	6-Aug-20	-	-
Total Director Remuneration		270	270

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

* Ms Qian Hou did not receive director remuneration for the financial period ended 31 December 2020 (31 December 2019: nil). Her senior management compensation is included within the salaries disclosed in note 28 (a) (i) above.

** Mr Hongbin Liu's director remuneration is borne by ICBC head office. He resigned as non-executive director on 6 August 2020.

*** Ms Mei Tao's director remuneration is borne by ICBC head office.

**** Mr Wei Luo's director remuneration is borne by ICBC head office.

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

Audited 31 December 2020

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	154	258	412	(5)
Loans and Advances	-	-	-	-
Total	154	258	412	(5)

Audited 31 December 2019

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	226	(72)	154	(2)
Loans and Advances	-	-	-	-
Total	226	(72)	154	(2)

The above deposits, loans and advances (including interest rates and collateral) transactions were conducted in the normal course of business and on commercial terms and conditions.

The Bank issued credit cards to directors and senior management with total of $80K credit limit (31 December 2019:$80K). The amount owed on the card at 31 December 2020 was nil (31 December 2019:nil).

Note 28 – Transactions with Related Parties (continued)

(b) Guarantees

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

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

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

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's Corporation	Fitch Ratings Ltd.
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 the Bank to the Bank's depositors and other creditors.

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

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

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

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

(c) Related party transactions

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Interest income on amount due from related entities		
Ultimate parent	8	58
Subsidiaries of ultimate parent	-	-
Total interest income on amount due from related entities	8	58
Interest expense on amount due to related entities		
Ultimate parent	7,364	7,831
Subsidiaries of ultimate parent	-	-
Total interest expense on amount due to related entities	7,364	7,831
Other operating income		
Gain/(loss) on derivative contracts with ultimate parent	(1,030)	(468)
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	(432)	(169)
Other income	198	-
Total other operating income	**(1,264)**	**(637)**
Other operating expense		
Other operating expense paid to ultimate parent	-	-

Interest payable to parent as at 31 December 2020 was $232K (31 December 2019:$965K), and interest payable to subsidiaries of the ultimate parent was nil (31 December 2019: nil). This is included in interest payable balance and interest paid expense.

Parent includes ICBC Head Office and other branches.

There are no loans guaranteed by related parties (31 December 2019: nil).

During the year, the Bank entered into risk participation agreements with the ICBC Hong Kong Branch. The agreements had the commercial effect of transferring the Bank's rights and risks in loans to ICBC Hong Kong Branch. As at 31 December 2020, there are $186,790K outstanding risk participation agreements. (31 December 2019: nil).

Note 29 – Concentration of Credit Risk

The following table breaks down the Bank's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows. For further details on how credit risk is managed and for On Balance Sheet and Off Balance Sheet credit exposure details, refer to Note 37.

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Government	247,768	126,769
Finance (including banks)	183,466	460,956
Households	458,453	485,487
Transport and storage	85,590	137,517
Communications	27,285	27,327
Construction	145,850	191,765
Property services	436,291	453,820
Agriculture	5,303	5,304
Forestry, fishing and mining	91,585	154,525
Health and community services	165,048	60,216
Retail and wholesale trade	70,129	60,255
Manufacturing	83,073	91,236
Education	22,665	25,055
Accommodation and food services	21,984	-
Less: allowance for impairment provisioning	(13,377)	(12,261)
Total financial assets	2,031,113	2,267,971
Less: non-interest earning financial assets	(1,547)	(10,150)
Total interest earning and discount bearing financial assets	2,029,566	2,257,821

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

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
New Zealand	1,801,248	1,940,403
Overseas	229,865	327,568
Total financial assets	2,031,113	2,267,971

Note 29 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Loans and advances to customers	1,613,933	1,717,679
Derivative financial instruments	3,333	3,118
Trade and Other Receivables	-	-
Other financial assets	3,066	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)	1,620,332	1,725,778
Cash and cash equivalents	194,788	107,297
Amounts due from related parties	3,024	23,150
Due from other financial institutions	10,000	226,362
Investment securities	197,210	182,868
Derivative financial instruments	4,365	1,046
Loans and advances to customers	-	-
Tax Receivable	-	-
Other financial assets	1,394	1,470
Total on Balance Sheet Credit Exposures	2,031,113	2,267,971
Off Balance Sheet Exposures	430,724	585,212
Total Off Balance Sheet Credit Exposures	430,724	585,212

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

53.97% of the Bank’s mortgage portfolio is owner-occupied residential properties (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 (31 December 2019: nil).

Note 30 – Concentration of Funding

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

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
New Zealand		
Transport and storage	26,208	44,577
Financing investment and insurance	716,865	819,555
Electricity, gas and water	-	20,117
Food and other manufacturing	171,552	184,591
Construction	11,006	25,016
Communication	880	1,073
Government, local authorities and services	59,198	60,203
Agriculture	1	13
Forestry	279	69,410
Health and community services	21	55
Personal and other services	-	-
Property and business services	19,335	43,817
Education	9,121	20,491
Retail and wholesale trade	3,039	3,187
Accommodation and food services	134	-
Other	13,946	19,945
Households	73,482	64,454
Overseas		
Amounts due to related parties	497,178	467,333
Financing investment and insurance (not including ICBC group)	64,249	66,209
Households	106,663	109,397
Other deposits	1,984	1,497
Total financial liabilities	1,775,141	2,020,940
Less: non-interest bearing financial liabilities	(66,347)	(78,850)
Total interest and discount bearing liabilities	1,708,794	1,942,090

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

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Deposits from customers	650,797	814,845
Registered Banks	1	1
Derivative financial liabilities	3,292	3,815
Financial Investors	-	-
Certificates of deposit	79,750	47,697
Subordinated loans due to related parties	70,000	70,000
Debts securities issued	523,178	661,440
Amounts due to related parties	424,717	396,015
Lease liabilities	9,645	8,356
Other	13,761	18,771
Total financial liabilities	1,775,141	2,020,940

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

Note 31 – Capital Commitments

As at 31 December 2020, there were nil capital commitments (31 December 2019: nil).

Note 32 – Contingent Liabilities and Commitments

Thousands of dollars	Audited 31 December 2020	Audited 31 December 2019
Performance/financial guarantees issued on behalf of customers	8,662	30,079
Total contingent liabilities	8,662	30,079
Undrawn Commitments	422,062	555,133

Note 33 – Subsequent Events after Balance Sheet Date

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

Note 34 – Financial Risk Management

A. Introduction

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

The primary financial risks of the Bank are credit, liquidity, interest rate, foreign exchange, operational risk, conduct risk, and reputation risks.

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

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

Management formally reports on key credit, treasury and operational risks to the Board on a monthly basis. In addition, the following management committees review and manage key risks:

- The Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress; and
- The Risk Management Committee meets monthly to consider, monitor and review exposure to interest rate risk, liquidity risk, foreign currency risk, and credit risk.

There has been no external review of the risk management systems during the period.

B. Credit Risk

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

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

1. Centralised credit management procedures; and
2. Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval and granting of loan and post-disbursement loan monitoring.

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

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

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

Note 34 – Financial Risk Management (continued)

Refer to Note 29 and Note 37 on the disclosure of concentration of credit risk of counterparties by geographical and sector classifications and the maximum On-balance sheet credit risk exposure and Off-balance sheet credit risk exposure.

(i) Credit exposure to individual counterparties

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

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

Peak End of Day Credit Exposures	Audited During the 6 months period ended 31 December 2020 Number of Bank Counterparties			Audited During the 6 months period ended 31 December 2019 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-	1	-	-
15% - 19%	1	-	-	2	-	-
20% - 24%	1	-	-	1	-	-
25% - 29%	1	-	-	-	-	-
30% - 34%	-	-	-	-	-	-
35% - 39%	-	-	-	1	-	-
40% - 44%	-	-	-	-	-	-
45% - 49%	1	-	-	-	-	-
50% - 54%	-	-	-	1	-	-
55% - 59%	-	-	-	1	-	-
60% - 64%	1	-	-	-	-	-
65% - 69%	-	-	-	-	-	-
70% - 74%	-	-	-	-	-	-
75% - 79%	-	-	-	-	-	-
80% - 84%	-	-	-	-	-	-
85% - 89%	-	-	-	-	-	-
90% - 95%	-	-	-	-	-	-

Peak End of Day Credit Exposures	Audited During the 6 months period ended 31 December 2020 Number of Other Counterparties			Audited During the 6 months period ended 31 December 2019 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	7	-	-	7
15% - 19%	-	-	9	-	-	7
20% - 24%	-	-	4	-	-	9
25% - 29%	-	-	4	-	-	2[1]
30% - 34%	1	-	2	-	-	2
35% - 39%	-	-	3	1	-	1
40% - 44%	-	-	-	-	-	3
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-

1 One counterparty classified within the 25%-29% category is 97.80% collateralised by cash deposits.

Note 34 – Financial Risk Management (continued)

Credit Exposures as at Reporting Date	Audited As at 31 December 2020 Number of Bank Counterparties			Audited As at 31 December 2019 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-	1	-	-
15% - 19%	-	-	-	1	-	-
20% - 24%	-	-	-	1	-	-
25% - 29%	-	-	-	-	-	-
30% - 34%	-	-	-	-	-	-
35% - 39%	-	-	-	1	-	-
40% - 44%	-	-	-	1	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 65%	-	-	-	-	-	-

Credit Exposures as at Reporting Date	Audited As at 31 December 2020 Number of Other Counterparties			Audited As at 31 December 2019 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	8	-	-	5
15% - 19%	-	-	8	-	-	8
20% - 24%	-	-	5	-	-	7
25% - 29%	-	-	2	-	-	3[1]
30% - 34%	1	-	2	-	-	2
35% - 39%	-	-	1	1	-	2
40% - 44%	-	-	-	-	-	1
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-
65% - 70%	-	-	-	-	-	-

The Bank had no central government, central bank, supranational or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregated credit exposure, as at 31 December 2020, and peak end-of-day aggregate credit exposure, for the six months ended 31 December 2020, equaled or exceeded 10% of the Bank's Common Equity Tier One Capital.

These calculations are gross and do not include any individually assessed provisions.

1 One counterparty classified within the 25%-29% category is 97.82% collateralised by cash deposits

Note 34 – Financial Risk Management (continued)

(ii) Credit exposures to connected persons

The Reserve Bank defines connected persons to be other members of the ICBC Group and Directors of the Bank. Credit exposures to connected persons are based on actual credit exposures rather than internal limits. The information on credit exposure to connected persons has been derived in accordance with the Reserve Bank of New Zealand's Connected Exposures Policy (BS8). Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One Capital of the Bank has been derived by determining the maximum end-of-day aggregate amount of credit exposure over the relevant accounting period and then dividing that amount by the Bank's Tier One Capital as at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 40%. There have been no changes to the limit during the period. Within the rating-contingent limit there is a sub-limit of 15% of tier one capital that applies to the aggregate credit exposure to non-bank connected persons. The aggregate credit exposures below have been calculated on a gross basis, net of individual credit impairment allowances and excludes advances to connected persons of a capital nature. There are no individual credit impairment allowances against credit exposures to connected persons nor are there any contingent exposures arising from risk lay-off arrangements to connected persons in respect of credit exposures to counterparties (excluding counterparties that are connected persons) as at 31 December 2020 in relation to the Bank's Banking Group.

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2020 $'000	Audited During the 12 months period ended 31 December 2019 $'000
Credit exposures to connected persons	29,905	53,050
As a percentage of Tier One Capital of the Bank	11.27%	21.03%

Credit Exposures as at Reporting Date	Audited As at 31 December 2020 $'000	Audited As at 31 December 2019 $'000
Credit exposures to connected persons	14,392	30,008
As a percentage of Tier One Capital of the Bank	5.43%	11.90%

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2020 $'000	Audited During the 12 months period ended 31 December 2019 $'000
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

Credit Exposures as at Reporting Date	Audited As at 31 December 2020 $'000	Audited As at 31 December 2019 $'000
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

The limits on aggregate credit exposure to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times during the period ended 31 December 2020.

Note 34 – Financial Risk Management (continued)

C. Liquidity Risk

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

The Bank manages its liquidity risk through the Treasury Department and aims at:
1. Optimising the structure of assets and liabilities;
2. Maintaining the stability of the deposit base;
3. Projecting cash flows and evaluating the level of current assets; and
4. Maintaining an efficient internal fund transfer mechanism/agreement with the Parent Bank for liquidity.

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

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

Audited 31 December 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	119,143	768	2,910	309,928	-	432,749
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	66,313	367,457	202,104	24,600	-	660,474
Certificates of deposit	-	40,000	40,000	-	-	80,000
Subordinated loans due to related parties	-	197	566	70,961		71,724
Debt securities issued	-	78,809	115,645	344,248	-	538,702
Lease liabilities	-	378	1,146	5,961	2,851	10,336
Other financial liabilities	-	53	342	-	-	395
Total financial liabilities	185,457	487,662	362,713	755,698	2,851	1,794,381
Derivative cash flows						
Inflows from derivatives	-	80,561	3,945	9,462	-	93,968
Outflows from derivatives	-	(79,555)	(2,549)	(6,874)	-	(88,978)
Total	-	1,006	1,396	2,588	-	4,990
Off balance sheet cash flows						
Financial guarantees outflows	-	5,523	3,139	-	-	8,662
Commitments outflows	422,062	-	-	-	-	422,062
Total	422,062	5,523	3,139	-	-	430,724

Note 34 – Financial Risk Management (continued)

Audited 31 December 2019	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	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	**Audited 31 December 2020**	**Audited 31 December 2019**
Cash, cash equivalents and balances with central banks	194,788	107,297
Amounts due from related parties	-	-
Due from banks and other financial institutions	10,000	226,362
Investment securities	197,210	182,868
Total liquidity portfolio	**401,998**	**516,527**

Note 34 – Financial Risk Management (continued)

D. Interest Rate Risk

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

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

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

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

Audited 31 December 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	2,925	191,863	-	-	-	-	194,788
Amounts due from related parties	-	3,024	-	-	-	-	3,024
Due from banks and other financial institutions	-	10,000	-	-	-	-	10,000
Investment securities	(9)*	14,001	13,135	-	6,221	163,862	197,210
Derivative financial assets	7,698	-	-	-	-	-	7,698
Loans and advances to customers	(13,368)*	1,220,793	185,372	170,402	45,089	5,645	1,613,933
Other financial assets	4,301	-	-	-	-	159	4,460
Total financial Assets	1,547	1,439,681	198,507	170,402	51,310	169,666	2,031,113
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	369,143	55,574	-	-	-	424,717
Derivative financial liabilities	3,292	-	-	-	-	-	3,292
Deposits from customers	49,294	379,365	126,070	72,211	22,234	1,623	650,797
Certificates of deposit	-	39,936	39,814	-	-	-	79,750
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	397,214	-	10,140	15,513	100,311	523,178
Lease liabilities	-	-	-	14	27	9,604	9,645
Other financial liabilities	13,761	-	-	-	-	-	13,761
Total financial liabilities	66,347	1,220,659	256,458	82,365	37,774	111,538	1,775,141
On-balance sheet gap	(64,800)	219,022	(57,951)	88,037	13,536	58,128	255,972
Net derivative notional principals	-	(98,000)	(2,000)	-	-	100,000	-
Net effective interest rate gap	(64,800)	121,022	(59,951)	88,037	13,536	158,128	255,972

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

Note 34 – Financial Risk Management (continued)

Audited 31 December 2019 Thousands of dollars	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Financial assets							
Cash, cash equivalents and balances with central banks	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 liabilities	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

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

Note 34 – Financial Risk Management (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads. The Bank takes an exposure to the effects of fluctuations in the prevailing levels of market interest rate cash flow risks. The fair value risk is not material.

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

Audited 31 December 2020

Thousands of dollars	Carrying amount	-1% Profit	+1% Profit	-1% Equity	+1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	194,788	(5)	5	(5)	5
Amounts due from related parties	3,024	-	-	-	-
Due from banks and other financial institutions	10,000	-	-	-	-
Investment securities	197,210	(88)	88	(88)	88
Derivative financial assets	7,698	1,292	538	1,292	538
Loans and advances to customers	1,613,933	(10,329)	10,329	(10,329)	10,329
Other financial assets	4,460	-	-	-	-
Total financial assets	2,031,113	(9,130)	10,960	(9,130)	10,960
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	424,717	2,375	(2,375)	2,375	(2,375)
Derivative financial liabilities	3,292	(538)	(1,292)	(538)	(1,292)
Deposits from customers	650,797	1	(1)	1	(1)
Certificates of deposit	79,750	-	-	-	-
Subordinated loans due to related parties	70,000	531	(531)	531	(531)
Debt securities issued	523,178	1,922	(1,922)	1,922	(1,922)
Lease liabilities	9,645	-	-	-	-
Other financial liabilities	13,761	-	-	-	-
Total financial liabilities	1,775,141	4,291	(6,121)	4,291	(6,121)

Note 34 – Financial Risk Management (continued)

Audited 31 December 2019

Thousands of dollars	Carrying amount	-1% Profit	+1% Profit	-1% Equity	+1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	107,297	(3)	3	(3)	3
Amounts due from related parties	23,150	-	-	-	-
Due from banks and other financial institutions	226,362	-	-	-	-
Investment securities	182,868	(159)	159	(159)	159
Derivative financial assets	4,164	1,069	130	1,069	130
Loans and advances to customers	1,717,679	(12,209)	12,209	(12,209)	12,209
Other financial assets	6,451	-	-	-	-
Total financial assets	2,267,971	(11,302)	12,501	(11,302)	12,501
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	396,015	2,078	(2,078)	2,078	(2,078)
Derivative financial liabilities	3,815	(130)	(1,069)	(130)	(1,069)
Deposits from customers	814,845	19	(19)	19	(19)
Certificates of deposit	47,697	-	-	-	-
Subordinated loans due to related parties	70,000	530	(530)	530	(530)
Debt securities issued	661,440	4,160	(4,160)	4,160	(4,160)
Lease liabilities	8,356	-	-	-	-
Other financial liabilities	18,771	-	-	-	-
Total financial liabilities	2,020,940	6,657	(7,856)	6,657	(7,856)

Note 34 – Financial Risk Management (continued)

E. Foreign Currency Risk

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

Audited 31 December 2020

Thousands of dollars	HKD	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	16	509	683	12,829	208	14,245
Amounts due from related parties	-	-	-	3,024	-	3,024
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	28,621	7	62,846	-	91,474
Other financial assets	-	109	-	106	-	215
Total financial assets	16	29,239	690	78,805	208	108,958
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	5,574	-	-	-	5,574
Deposits from customers	-	246	695	18,984	25	19,950
Certificates of deposit	-	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	-	2	-	237	-	239
Total financial liabilities	-	5,822	696	19,221	25	25,764
Net on balance sheet financial position	16	23,417	(6)	59,584	183	83,194
Net derivative position	-	(23,012)	-	(55,440)	-	(78,452)
Total open position	16	405	(6)	4,144	183	4,742

Note 34 – Financial Risk Management (continued)

Audited 31 December 2019

Thousands of dollars	HKD	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	12	701	582	15,601	1,614	18,510
Amounts due from related parties	-	-	-	23,150	-	23,150
Due from banks and other financial institutions	-	-	-	13,362	-	13,362
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	33,159	14	77,362	-	110,535
Other financial assets	-	407	-	175	6	588
Total financial assets	12	34,267	596	129,650	1,620	166,145
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	33,765	-	-	-	33,765
Deposits from customers	-	18	414	89,809	37	90,278
Certificates of deposit	-	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	-	-	-	-	15,598	15,598
Other financial liabilities	-	54	-	846	64	964
Total financial liabilities	-	33,837	415	90,655	15,699	140,606
Net on balance sheet financial position	12	430	181	38,995	(14,079)	25,539
Net derivative position	-	-	-	(37,118)	14,559	(22,559)
Total open position	12	430	181	1,877	480	2,980

Note 34 – Financial Risk Management (continued)

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

Audited 31 December 2020

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	14,245	(1,424)	1,424	(1,424)	1,424
Amounts due from related parties	3,024	(302)	302	(302)	302
Due from banks and other financial institutions	-	-	-	-	-
Investment securities	-	-	-	-	-
Loans and advances to customers	91,474	(9,147)	9,147	(9,147)	9,147
Other financial assets	215	(22)	22	(22)	22
Total financial assets	108,958	(10,895)	10,895	(10,895)	10,895
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	5,574	557	(557)	557	(557)
Deposits from customers	19,950	1,995	(1,995)	1,995	(1,995)
Certificates of deposit	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	239	24	(24)	24	(24)
Total financial liabilities	25,764	2,576	(2,576)	2,576	(2,576)
Net derivative position	(78,452)	7,845	(7,845)	7,845	(7,845)
Total open position	4,742	(474)	474	(474)	474

Note 34 – Financial Risk Management (continued)

Audited 31 December 2019

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	18,510	(1,851)	1,851	(1,851)	1,851
Amounts due from related parties	23,150	(2,315)	2,315	(2,315)	2,315
Due from banks and other financial institutions	13,362	(1,336)	1,336	(1,336)	1,336
Investment securities	-	-	-	-	-
Loans and advances to customers	110,535	(11,053)	11,053	(11,053)	11,053
Other financial assets	588	(59)	59	(59)	59
Total financial assets	166,145	(16,614)	16,614	(16,614)	16,614
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	33,765	3,376	(3,376)	3,376	(3,376)
Deposits from customers	90,278	9,028	(9,028)	9,028	(9,028)
Certificates of deposit	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	15,598	1,560	(1,560)	1,560	(1,560)
Other financial liabilities	964	96	(96)	96	(96)
Total financial liabilities	140,606	14,060	(14,060)	14,060	(14,060)
Net derivative position	(22,559)	2,256	(2,256)	2,256	(2,256)
Total open position	2,980	(298)	298	(298)	298

F. Operational Risk

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

G. Equity Risk

The Bank did not have any equity risk exposure as at balance date 31 December 2020 (31 December 2019: nil).

Note 34 – Financial Risk Management (continued)

H. Financial Instruments by Category

Audited 31 December 2020

Thousands of dollars	Financial assets at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets				
Cash, cash equivalents and balances with central banks	194,788	-	-	194,788
Amounts due from related parties	3,024	-	-	3,024
Due from banks and other financial institutions	10,000	-	-	10,000
Investment securities	197,210	-	-	197,210
Derivative financial assets	-	7,698	-	7,698
Loans and advances to customers	1,613,933	-	-	1,613,933
Other financial assets	4,460	-	-	4,460
Total financial assets	2,023,415	7,698	-	2,031,113

Thousands of dollars	Financial liabilities at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial liabilities				
Due to central banks and other financial institutions	1	-	-	1
Amounts due to related parties	424,717	-	-	424,717
Derivative financial liabilities	-	3,292	-	3,292
Deposits from customers	650,797	-	-	650,797
Certificates of deposit	79,750	-	-	79,750
Subordinated loans due to related parties	70,000	-	-	70,000
Debt securities issued	523,178	-	-	523,178
Lease liabilities	9,645	-	-	9,645
Other financial liabilities	13,761	-	-	13,761
Total financial liabilities	1,771,849	3,292	-	1,775,141

Note 34 – Financial Risk Management (continued)

Audited 31 December 2019

Thousands of dollars	Financial assets at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets				
Cash, cash equivalents and balances with central banks	107,297	-	-	107,297
Amounts due from related parties	23,150	-	-	23,150
Due from banks and other financial institutions	226,362	-	-	226,362
Investment securities	182,868	-	-	182,868
Derivative financial assets	-	4,164	-	4,164
Loans and advances to customers	1,717,679	-	-	1,717,679
Other financial assets	6,451	-	-	6,451
Total financial assets	2,263,807	4,164	-	2,267,971

Thousands of dollars	Financial liabilities at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial liabilities				
Due to central banks and other financial institutions	1	-	-	1
Amounts due to related parties	396,015	-	-	396,015
Derivative financial liability	-	3,815	-	3,815
Deposits from customers	814,845	-	-	814,845
Certificates of deposit	47,697	-	-	47,697
Subordinated loans due to related parties	70,000	-	-	70,000
Debt securities issued	661,440	-	-	661,440
Lease liabilities	8,356	-	-	8,356
Other financial liabilities	18,771	-	-	18,771
Total financial liabilities	2,017,125	3,815	-	2,020,940

Note 34 – Financial Risk Management (continued)

I. 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 Measurements

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).

The following valuation techniques have been applied to determine the fair values of financial instruments where there is no quoted price (level 1) for the instrument:

- For instruments classified as derivative financial assets and liabilities fair value measurements are derived by using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.;
- For net loans and advances, deposits and due to related parties, borrowings and debt securities issued, discounted cash flow techniques are used where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturity or a yield curve appropriate for the remaining term to maturity.

There have been no substantial changes in the valuation techniques applied to different classes of financial instruments during the year.

Note 34 – Financial Risk Management (continued)

Audited 31 December 2020

Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
		Estimated Fair Value			
Financial assets					
Cash, cash equivalents and balances with central banks	194,788	-	194,788	-	194,788
Amounts due from related parties	3,024	-	3,024	-	3,024
Due from banks and other financial institutions	10,000	-	10,000	-	10,000
Investment securities	197,210	208,083	-	-	208,083
Derivative financial assets	7,698	-	7,698	-	7,698
Loans and advances to customers	1,613,933	-	1,616,187	-	1,616,187
Other financial assets	4,460	-	4,460	-	4,460
Total financial assets	2,031,113	208,083	1,836,157	-	2,044,240
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	424,717	-	424,717	-	424,717
Derivative financial liabilities	3,292	-	3,292	-	3,292
Deposits from customers	650,797	-	651,615	-	651,615
Certificates of deposit	79,750	-	79,750	-	79,750
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	523,178	-	529,623	-	529,623
Lease liabilities	9,645	-	9,645	-	9,645
Other financial liabilities	13,761	-	13,761	-	13,761
Total financial liabilities	1,775,141	-	1,782,404	-	1,782,404

Audited 31 December 2019

Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
		Estimated Fair Value			
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 liabilities	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 35 - Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date the Bank was not involved in:

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

Note 36 – Risk Management Policies

The Bank's objective is to appropriately manage all the risks that arise from its activities. A review of the risk appetite of the Bank is conducted periodically having regard to prevailing market condition s and strategy. Based upon this review, an assessment of the relevant policies, systems, and reporting is undertaken to ensure that they are consistent with the stated risk appetite of the Bank.

A. Specific Areas of Risk Management
The Bank's Key areas of risk are Strategic and Business risk (managed by the Board through annual and three and five year business plans); Financial Risks including Credit Risk, Interest Rate Risk, Liquidity Risk, Foreign Exchange Risk and Operational Risk (managed through internal controls and procedures), Financial and operational risk management appetites, objectives, policies, strategies, and processes are documented in note 34 of the financial statements. ICBC NZ adopts the Standardised approach to credit risk, Standardised approach to market risk, and Standardised approach to operational risk.

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

C. Audit Committee
The Board through the Audit Committee is primarily responsible for:

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

D. Risk Committee
The Board through the Risk Committee is primarily responsible for:

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

E. Remuneration Committee
The Board through the Appointment and Remuneration Committee is primarily responsible for:

1. Overseeing the effectiveness and integrity of human resource policies of the Bank;
2. Providing governance oversight and assurance on the controls surrounding Executive management and Board human resource processes, including appointments, remuneration and performance processes;
3. Reviewing the people risk management policies, limits, and delegations of the Bank;
4. Reviewing and making annual recommendations to the Board regarding the performance of the CEO, CEO's assessment report of other senior executives who report directly to the CEO and any other person considered to be in a role with material influence;
5. Reviewing the recruitment policy of the Bank and undertaking an assessment of persons captured by the policy to ensure integrity of the recruitment process.

Note 36 – Risk Management Policies (continued)

F. Internal Audit Function
The Bank utilises ICBC's internal audit function as a control measure to enable both ICBC and senior management of the Bank to monitor and review the Bank on an ongoing basis. The internal audit function of the Bank is part of ICBC's policy to ensure that all ICBC branches and subsidiaries have appropriate systems and procedures in place and comply with all applicable home and host country regulations.

The Bank establishes the independent internal audit department, on the basis of abiding by the local regulatory requirements and group policies, conducting the internal audit supervision and evaluation of the institution independently, objectively and effectively, and reports internal audit work timely and normatively, and promotes the rectification work of the audit findings. It assists the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control system. The internal audit department follows a risk based approach in scheduling audits of all activities of the Bank over a 3-year cycle. It reports the audit work and results directly to the Board Audit Committee of ICBC NZ Ltd.

G. Measurement of Impaired Assets
ICBC NZ follows the guidance of NZ IFRS 9 and reviews the calculations of the individual and collective allowance for impaired assets, on a monthly basis. The calculation of recoverable amounts is primarily based on the future potential recoverable cashflows resulted from the impaired assets. The estimated impairment loss are assessed based on the difference between the assets carrying amount and the estimated future cashflows discounted to their present value.

H. Capital Adequacy
The Board and senior management undertake capital planning, in accordance with the Bank's Internal Capital Adequacy Assessment Policy. As part of the capital planning process, the Board reviews:

1. The current capital requirements of the Bank;
2. The targeted and sustainable capital in terms of business strategy and risk appetite; and
3. Future capital planning (with a three year outlook).

The capital plan is revised on an annual basis or more regularly, if necessary, to meet the Bank's obligations under the Capital Adequacy Framework (BS2A). For further information see Note 37.

I. Credit Risk Mitigation and Collateral
The Bank uses different risk mitigation techniques to reduce the credit risk arising from its lending activities.

Note 37 – Capital Adequacy

(a) Issued Capital
The Bank had 233,539,975 fully paid up ordinary shares (tier one capital) issued at NZ $1 per share as at 31 December 2020.

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

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

The ordinary shares issuance details is shown as below:

Issue date	Number of Shares	Amount ($'000)
30 September 2013	60,377,729	60,378
5 July 2016	85,082,246	85,082
28 June 2018	88,080,000	88,080

Note 37 – Capital Adequacy (continued)

(b) Other Classes of Capital Instrument
As at 31 December 2020, the Bank issued 5-years subordinated loan of NZ$70m ("The loan") to ICBC Head Office (Note 24). The loan is subordinated, unsecured. The loan issued by the Bank qualifies for Tier 2 capital instruments subject to phase-out in accordance with BS2A, and the allowance for tax in accordance with section 10f(5) of subpart 2F under BS2A.

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

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

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios as at 31 December 2020, and 31 December 2019. The Bank has complied with both regulatory and internal capital adequacy requirements.

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

(c) Tier one and two Capital

Thousands of dollars	31 December 2020	31 December 2019
Tier one capital		
Common Equity Tier one capital		
Issued and fully paid up share capital	233,540	233,540
Retained earnings	36,367	23,509
Accumulated other comprehensive income and other disclosed reserves	-	-
Interest from issue of ordinary shares	-	-
Less:	-	-
Goodwill and other intangible assets	(7)	(12)
Regulatory adjustments	-	-
Deferred tax assets	(4,658)	(4,832)
Total common equity tier one capital	265,242	252,205
Additional Tier one capital		
High-quality capital	-	-
Instruments issued	-	-
Share premium from issue of instruments	-	-
Associated retained earnings	-	-
Less: Regulatory adjustments	-	-
Total additional tier one capital	-	-
Total tier one capital	265,242	252,205
Tier two capital		
Subordinated loans due to related parties	35,000	49,000
Share premium from issue of instruments	-	-
Revaluation reserves	-	-
Foreign currency translation reserves	-	-
Less: Regulatory adjustments	-	-
Total tier two capital	35,000	49,000
Total capital	300,242	301,205

The Bank currently has NZ$35M capital instruments subject to phase-out eligibility as capital in terms of RBNZ's Basel III transitional arrangement.

Note 37 – Capital Adequacy (continued)

(d) Credit Risk

31 December 2020 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	176,616	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	70,475	20%	14,095	1,128
Public sector entities – government body and universities	22,464	20%	4,493	359
Banks rating grade 1	117,281	20%	23,456	1,876
Banks rating grade 2 (≤3 months)	11,846	20%	2,369	190
Banks rating grade 2 (>3 months)	43,789	50%	21,894	1,752
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,119,554	100%	1,119,554	89,564
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	245,303	35%	85,856	6,868
Residential mortgages (investment) not past due -LVR up to 80%.	209,657	40%	83,863	6,709
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	75%	-	-
Past due residential mortgages	(25)	100%	(25)	(2)
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	1,935	100%	1,935	155
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	27,162	100%	27,162	2,173
Total on balance sheet exposures after credit risk mitigation	2,046,057	-	1,384,652	110,772

Note 37 – Capital Adequacy (continued)

31 December 2020 Calculation of off-balance-sheet exposures	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	3,750	50%	1,875	100%	1,875	150
Trade-related contingency	4,911	20%	982	100%	982	79
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	380,361	50%	190,181	100%	190,181	15,214
Other commitments where original maturity is more than one year (Public Sector)	39,997	50%	19,998	20%	4,000	320
Other commitments where original maturity is less than or equal to one year	1,440	20%	288	100%	288	23
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Market related contracts						
(a) Foreign exchange contracts	79,752	1%	797	100%	797	64
(b) Interest rate contracts (exposure less than 1 year)	141,000	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	225,000	0.50%	1,125	100%	1,125	90
Interest rate contracts (exposure more than 5 years)	-	1.5%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
Total off-balance sheet exposures	876,211	-	215,246	-	199,248	15,940

Note 37 – Capital Adequacy (continued)

31 December 2019 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	56,595	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	69,444	20%	13,889	1,111
Banks rating grade 1	350,453	20%	70,091	5,607
Banks rating grade 2 (≤3 months)	6,448	20%	1,290	103
Banks rating grade 2 (>3 months)	68,301	50%	34,151	2,732
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	10,599	100%	10,599	848
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,143,691	100%	1,143,691	91,495
Corporate-secured by collateral	65,611	20%	13,122	1,050
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	268,786	35%	94,075	7,526
Residential mortgages (investment) not past due -LVR up to 80%.	212,865	40%	85,146	6,812
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	75%	-	-
Past due residential mortgages	(25)	100%	(25)	(2)
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	4,522	100%	4,522	362
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	24,226	100%	24,226	1,938
Total on balance sheet exposures after credit risk mitigation	2,281,516	-	1,494,777	119,582

Note 37 – Capital Adequacy (continued)

31 December 2019 Calculation of off-balance-sheet exposures	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	6,193	50%	3,097	100%	3,097	248
Trade-related contingency	23,864	20%	4,773	100%	4,773	382
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	432,165	50%	216,082	100%	216,082	17,287
Other commitments where original maturity is more than one year (Public Sector)	119,988	50%	59,994	20%	11,999	960
Other commitments where original maturity is less than or equal to one year	2,026	20%	405	100%	405	32
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Market related contracts						
(a) Foreign exchange contracts	81,087	1%	811	100%	811	65
(b) Interest rate contracts (exposure less than 1 year)	1,200	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	341,000	0.50%	1,705	100%	1,705	136
Interest rate contracts (exposure more than 5 years)	-	1.5%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
Total off-balance sheet exposures	1,007,523	-	286,867	-	238,872	19,110

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

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

31 December 2020

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	454,935	-	-	454,935

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

Note 37 – Capital Adequacy (continued)

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	31 December 2020	31 December 2019
Residential mortgage loans (as disclosed in Note 6,13)		
On balance sheet exposures		
Residential – owner occupied	247,025	270,622
Residential - investment	210,663	213,888
Provisions for impairment losses on loans and advances	(2,753)	(2,884)
Residential mortgages by loan-to-valuation ratio	454,935	481,626
Off balance sheet exposures	-	-
Total	454,935	481,626

(g) Credit risk mitigation

31 December 2020 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	-	-

31 December 2019 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	65,611	-
Residential mortgage	-	-
Other	-	-
Total	65,611	-

(h) Operational risk capital requirement

31 December 2020

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	108,950	8,716

31 December 2019

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	95,750	7,660

Note 37 – Capital Adequacy (continued)

(i) Market Risk

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

31 December 2020	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	60,150	4,812	78,313	6,265
Foreign currency risk	4,750	380	5,525	442
Equity risk	-	-	-	-
Total capital requirements	64,900	5,192	83,838	6,707

31 December 2020			
Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,922,268	1,583,900	126,712
Operational risk	-	108,950	8,716
Market risk	-	64,900	5,192
Total	2,922,268	1,757,750	140,620

31 December 2019	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	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

31 December 2019			
Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	3,289,039	1,733,649	138,692
Operational risk	-	95,750	7,660
Market risk	-	64,500	5,160
Total	3,289,039	1,893,899	151,512

Capital ratios

Regulatory Capital Ratios	**Regulatory Minimum**	**31 December 2020**	**31 December 2019**
Common Equity Tier 1 Capital Ratio	4.50%	15.09%	13.32%
Tier 1 Capital Ratio	6.00%	15.09%	13.32%
Total Qualifying Capital Ratio	8.00%	17.08%	15.90%
RBNZ required Buffer Ratio	2.50%	9.08%	7.32%

Note 37 – Capital Adequacy (continued)

(j) Capital for Other Material Risks

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements, namely strategic risk, reputational risk and start-up business risk. Noting this, the Bank has set aside additional Tier 1 capital of 2% (31 December 2019:2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment and further Tier 1 capital adequacy buffer of 2%.

In December 2019, RBNZ announced the final decision on the Capital Review on Banks, which included the new capital requirements for New Zealand Registered banks. For ICBC New Zealand, the current minimum capital of 10.5% (including 2% buffer) will be increased to 16% over the next 7 year period.

(k) Regulatory liquidity ratios

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

	Unaudited For the 3 months ended 31 December 2020	Unaudited For the 3 months ended 30 September 2020	Unaudited For the 3 months ended 31 December 2019	Unaudited For the 3 months ended 30 September 2019
One-week mismatch ratio	10.35%	12.70%	6.61%	6.11%
One-month mismatch ratio	16.71%	19.26%	13.86%	10.56%
Core funding ratio	84.29%	86.54%	87.46%	88.71%

(l) Capital adequacy of Ultimate Parent Bank

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

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

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBIRC as at 31 December 2020, the latest reporting date.

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

	31 December 2020	31 December 2019
Ultimate Parent Bank Group		
Common Equity Tier 1 Capital Ratio	13.18%	13.20%
Tier 1 Capital Ratio	14.28%	14.27%
Total Capital Ratio	16.88%	16.77%
Ultimate Parent Bank		
Common Equity Tier 1 Capital Ratio	13.14%	13.29%
Tier 1 Capital Ratio	14.24%	14.37%
Total Qualifying Capital Ratio	17.02%	17.06%

Independent auditor's report

To the shareholder of Industrial and Commercial Bank of China (New Zealand) Limited (the "Registered Bank")

Report on the audit of the disclosure statement

Opinion

We have audited the accompanying financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) which comprise:

- the statement of financial position as at 31 December 2020;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order.

In our opinion, the accompanying financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of the Registered Bank on pages 16 to 84:

i. give a true and fair view of the Registered Bank's financial position as at 31 December 2020 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards.

In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and is included within note 37 of the disclosure statement:

i. has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any conditions of registration;

ii. is in accordance with the books and records of the in all material respects; and

iii. fairly states the matters to which it relates in accordance with those Schedules.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISA's (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Registered Bank in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISA (NZ) are further described in the auditor's responsibilities for the audit of the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) section of our report.

Our firm has also provided other services to the Registered Bank in relation to a review of the 30 June 2020 half-year disclosure statement and a limited assurance engagement on the Registered Bank's compliance with its conditions of registration. Subject to certain restrictions, partners and employees of our firm may also deal with the Registered Bank on normal terms within the ordinary course of trading activities of the business of the Registered Bank. These matters have not impaired our independence as auditor of the Registered Bank. The firm has no other relationship with, or interest in, the Registered Bank.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

Key changes in the assessment of audit risks

Covid-19

The economic impacts of the ongoing Covid-19 pandemic remain uncertain but have the potential to significantly impact the valuation of loans and advances. The judgement applied by the Registered Bank in determining a collectively assessed allowance for expected credit losses associated with the Covid-19 pandemic should be considered as a best estimate within a range of possible estimates. Forward-looking assumptions, such as the estimation of expected credit losses, are inherently more uncertain during these unprecedented times. While the key audit matter "Valuation of loans and advances", detailed below, is unchanged from last year, the underlying audit risk has increased which influenced the extent and nature of audit evidence that we had to gather.

The key audit matter	How the matter was addressed in our audit
Valuation of loans and advances *Refer to notes 1(4), 6, 13, and 29 to the financial statements.*	
The valuation of loans and advances is considered to be a key audit matter as: — loans and advances represent a significant portion of the Registered Bank's total assets; — the provisioning involves a high degree of subjectivity and estimation uncertainty; and — the extent of provisioning is affected by a number of historical and external factors. The provision for specific impairment as at 31 December 2020 is $4.0 million.	***Specific impairment*** Our audit procedures included: — testing key controls over management's monthly credit review process, including review of arrears reports and underlying collateral valuations; — review of arrears reports to identify any past due loans. This included testing of the arrears report to ensure all past due loans were included, and past due days were calculated correctly. For past due exposures, we also agreed a sample of payments received by the Registered Bank subsequent to balance date; and — review of loan files for a sample of loans to identify high risk credit exposures showing signs of stress, either due to internal factors specific to the counterparty or external macroeconomic factors. This included reviewing the: – security documentation to ensure that the Registered Bank holds a valid charge on security and verifying the security valuation from external valuation reports; – borrowers' payment history indicating difficulties in the borrowers' ability to meet the loan obligations; and – review security valuation when the loan will be repaid from proceeds of the security sale.
The calculation of the collective provision under IFRS 9 is considered to be a key audit matter as: — there are complex accounting requirements underlying the determination of quantitative amounts in disclosures; and — the collective provision is estimated through the expected credit loss ("ECL") models which uses historical data, adjusted for forward looking information. In addition, management applies judgement in the determination of provision overlays to adjust for future market conditions.	***Collective impairment*** Together with our financial risk specialists, our audit procedures included: — assessing the Registered Bank's significant accounting policies and modelling methodology for expected credit losses against the requirements of the standards and underlying accounting records; — testing the accuracy of key inputs used in the IFRS 9 collective provision calculation; including reconciling the loan balance used in the calculation to general ledger and data reconciliation between the provision model and source systems; — assessing individually significant loans in arrears not specifically provided for, to determine whether they were being appropriately monitored and incorporated into the provision for collectively impaired assets; — benchmarking the level of collective provision against other registered banks;

The key audit matter	How the matter was addressed in our audit
— significant judgements and estimates are required to incorporate forward-looking information to reflect future economic conditions, including the potential economic impact of the Covid-19 pandemic. The provision for collective impairment is $9.6 million.	— examining the methodology and key assumptions of the NZ IFRS 9 collective provisions recorded at the reporting date, including: — review of the suitability of the continued use of United States index loss data, due to the Registered Bank's limited New Zealand loss history, including an assessment of data correlations between the United States index loss data and available New Zealand data; and — consideration of testing results from new collective provision models, developed by the Head Office bank, run in parallel at the 31 December 2020 reporting date.

Other information

The directors, on behalf of the Registered Bank, are responsible for the other information included in the Registered Bank's disclosure statement. Other information includes the supplementary information that is required to be disclosed in accordance with Schedule 2 of the Order. Our opinion on the disclosure statement and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the disclosure statement and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the disclosure statement and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

In accordance with the requirements of clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

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

Responsibilities of directors for the financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

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

- the preparation and fair presentation of the financial statements in accordance with Clause 24 of the Order, NZ IFRS and International Financial Reporting Standards;

— the preparation and fair presentation of supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order;

— implementing necessary internal control to enable the preparation of financial statements that are 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 audit of the financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

Our objective is:

— to obtain reasonable assurance about whether the disclosure statement, including the financial statements prepared in accordance with Clause 24 of the Order, and supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order as a whole is free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:
http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our independent auditor's report.

Review conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

We have reviewed the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, as disclosed in note 37 of the disclosure statement for the year ended 31 December 2020. The supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, disclosed in note 37 to the disclosure statement, is not, in all material respects:

i. prepared in accordance with the Registered Bank's conditions of registration; and

ii. disclosed in accordance with Schedule 9 of the Order.

Emphasis of matter

We draw attention to the information presented with the 'Conditions of Registration for Industrial and Commercial Bank of China (New Zealand) Limited', on page 10 of the Registered Bank's 31 December 2020 disclosure statement, which outlines the Registered Bank's identification of an error in the aggregation of a number of related party deposits, which impacted the regulatory liquidity ratios previously reported to the Reserve Bank of New Zealand (the "RBNZ") during the period January to November 2020. As disclosed by the Registered Bank, the Registered Bank's corrected regulatory liquidity ratios were between 0.01% and 0.59% lower than those reported to the RBNZ. The Registered Bank's regulatory liquidity ratios remained above the RBNZ requirements stipulated in the Registered Bank's conditions of registration, however the incorrectly reported regulatory liquidity ratios constitutes a breach of the Registered Bank's Conditions of Registration. As disclosed on page 10, this matter did not affect the supplementary information relating to regulatory liquidity ratios, as disclosed in note 37(k) to the disclosure statement for the year ended 31 December 2020. Our conclusion is not modified in respect of this matter.

Basis for conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

A review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements 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, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our responsibilities under that standard are further described in the Auditor's Responsibilities for the Review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements section of our report.

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

Responsibilities of directors for the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

The directors are responsible for the preparation of supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is required to be disclosed under Schedule 9 of the Order and prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and described in note 37 to the disclosure statement.

Auditor's responsibilities for the review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Our responsibility is to express a conclusion on the supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements based on our review. We conducted our review in accordance with NZ SRE 2410, issued by the New Zealand External Reporting Board. As the auditor of the Registered Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements, and plan and perform the review to obtain limited assurance about whether the supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements is, in all material respects:

— prepared in accordance with the Registered Bank's conditions of registration; and

— disclosed in accordance with Schedule 9 of the Order.

A review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with ISA's (NZ). Accordingly we do not express an audit opinion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements disclosures.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's 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 work, this independent auditor's report, or any of the opinions or conclusions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jamie Munro.

For and on behalf of

KPMG

KPMG
Auckland

29 March 2021

Dated 27 August 2015

DEED OF GUARANTEE

By

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

In respect of the obligations of

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Certified "true copy" of the original

A Solicitor of the High Court of New Zealand

Nathan Edwin Hansen-Thorpe
Solicitor
Auckland

CONTENTS

THIS DEED is made on 27 August 2015

BY

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

AND

(2) **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED** a company incorporated in New Zealand having its registered office at Level 11, 188 Quay Street, Auckland 1010, New Zealand (hereinafter referred to as "**ICBC NZ**")

IN FAVOUR OF

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

WHEREAS:

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

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

1. DEFINITIONS AND INTERPRETATION

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

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

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

"**Creditor**" means each and any Person to whom an Obligation is due and owed by ICBC NZ ;

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

"**Obligation**" means all payment obligations of any nature to or for the benefit of Creditors ranking at least pari passu with the claims of unsecured unsubordinated creditors of ICBC NZ, whether actual or contingent, present or future, secured or unsecured and whether incurred alone, severally or jointly as principal, surety or otherwise, but which, in each case, has been incurred by ICBC NZ prior to termination of the Guarantee in accordance with clause 6;

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

"**Rating Agencies**" means, as at the date of this Deed, Standard & Poor's (Australia) Pty Limited and Moody's Investors Services Inc. and any successor or replacement thereto and includes from time to time, such other reputable internally recognised rating agency as ICBC NZ may wish to designate;

"**Repayment Obligation**" means an Obligation incurred by ICBC NZ in relation to one or more of the following:

(a) accepting deposits of any kind from any person;

(b) at the request of its customer, issuing a guarantee, indemnity, letter of credit, performance bond or like instrument in favour of a third party Creditor;

(c) raising money by whatever means but on terms that (and only to the extent that) the recourse comprises a direct and unconditional payment obligation of ICBC NZ;

(d) issuing any redeemable preference shares; or

(e) entering into any swap, foreign exchange contract, hedging or other derivative or risk management transaction or product, to the extent of the net settlement amount if such transaction or product is or was to be termination or such a settlement amount is or was otherwise to become payable at the relevant time.

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

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

2. GUARANTEE

2.1 The Bank hereby irrevocably and unconditionally guarantees for the benefit of each Creditor the due and punctual payment by ICBC NZ of each and every Obligation as and when it becomes due and payable (whether at stated maturity or upon acceleration or otherwise) incurred by ICBC NZ to the Creditor prior to the termination of this Guarantee in accordance with clause 6, to the intent that should ICBC NZ default in the due and punctual payment of any such Obligation, the Bank shall, upon written demand by the relevant Creditor under clause 3, forthwith pay or cause to be paid to the Creditor all amounts then due and unpaid with respect to such Obligation together with all costs and expenses incurred by the Creditor in enforcing the Guarantee. For the avoidance of doubt, the Guarantee is a payment guarantee.

2.2 The Guarantee is a continuing guarantee and shall not be considered as satisfied by any intermediate payment and shall remain in force in respect of each and every Obligation incurred by ICBC NZ to the Creditor prior to the termination of the Guarantee in accordance with clause 6 until the relevant Obligation has been satisfied in full.

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

(a) the granting of time, credit, accommodation, indulgence, waiver or other concession to ICBC NZ or any other person whether by the Creditor or any other person (whether at the request of the Bank, ICBC NZ or any other person);

(b) any insolvency, administration, liquidation, receivership or reorganisation of ICBC NZ;

(c) any liability of ICBC NZ or any other person ceasing from any cause whatever (including any release or discharge by a Creditor or by operation of law);

(d) the Guarantee or any other agreement or right held or available to the Creditor, at any time being or becoming in whole or in part void, voidable, defective, illegal or unenforceable for any reason or being released, discharged or varied in whole or in part;

(e) any variation, amendment, compromise, release, abandonment, relinquishment or renewal (whether or not having the effect of increasing the liability of the Bank or any other person) of any Obligation;

(f) anything done or omitted or neglected to be done by a Creditor under this Deed or any other agreement; or

(g) any other thing whatever, other than a release of the Bank's obligations under and in accordance with this Deed.

2.4 The Bank waives in favour of each Creditor all rights and defences whatsoever against ICBC NZ and each other person (including rights of subrogation, contribution, marshalling, set-off or counterclaim or any other contractual defences) to the extent strictly necessary to give effect to the Guarantee.

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

3. DEMAND

3.1 A Creditor shall be entitled to make a demand under the Guarantee by delivering a certificate signed by an Authorised Officer of that Creditor, to the address set out in clause 9 setting out the below:

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

(b) particulars of the Obligation in respect of which demand is being made by the Creditor;

(c) that ICBC NZ has defaulted in payment and that there is a debt immediately due and payable which remains unpaid beyond its due date (taking into account any relevant grace periods) and that there are no prior conditions to payment which remain unsatisfied;

(d) for any Obligation which is not a Repayment Obligation, that ICBC NZ has had the opportunity to dispute the existence of the Obligation and if, after such opportunity, that dispute has been fully and finally resolved and the Obligation has become indisputably payable by ICBC NZ;

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

(f) that the Obligation rank at least pari passu with the claims of other unsecured unsubordinated creditors of ICBC NZ generally; and

(g) the account to which the amount of the claim is to be paid,

accompanied by a copy, verified by an Authorised Officer of the Creditor, of any agreement, instrument or statement of account or other document which is evidence of the due and payable Obligation.

3.2 Service of the Creditors Demand and all accompanying documents under clause 3.1 on the Bank shall constitute a written demand by the Creditor under clause 2.1.

3.3 Upon receipt of a written demand under clause 3.1 (such demand being accompanied with all relevant requirements set out in clause 3.1 and in the case of clause 3.1(d), the Bank shall be entitled to first verify the matters certified within a reasonable timeframe), the Bank hereby covenants for the benefit of each Creditor to pay to the bank account nominated by the Creditor within five Business Days of receipt of all such requirements (and in the case of clause 3.1(d), following verification process as mentioned above), the amount claimed by the Creditor in the relevant written demand in accordance with clause 4.

4. PAYMENTS

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

4.2 Payments hereunder shall be made:

(a) free and clear of any restrictions or condition;

(b) free and clear of and (except to the extent required by law) without any deduction or withholding on account of any taxes or any other amount, whether by way of set-off or otherwise (but excluding any taxes on overall net income).

4.3 In the event that the Bank is prohibited by law from making payments hereunder free of deductions or withholdings (but excluding any taxes on overall net income), then the Bank shall pay such additional amount to the relevant Creditor as may be necessary in order that the actual amount received after all applicable deductions and withholdings shall equal the amount that would have been received if such deductions or withholdings were not required.

5. REPRESENTATIONS

5.1 The Bank represents and warrants that:

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

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

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

6. TERMINATION OF GUARANTEE

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

(a) if:

(i) any substantial asset of ICBC NZ; or

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

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

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

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

(d) following by notice in writing by the Bank to ICBC NZ (specifying a termination date for the Guarantee which shall be at least three months following the giving of notice by ICBC NZ to its Creditors by an advertisement circulating generally throughout New Zealand in accordance with clause 6.2).

6.2 On receipt of notice of termination of the Guarantee pursuant to clause 6.1, ICBC NZ shall give notice of such termination by an advertisement in a newspaper circulating generally throughout New Zealand and to each Rating Agency.

6.3 Any termination of the Guarantee must be subject to:

(a) the Guarantee remaining in place for the benefit of each Creditor owed Obligations which have been incurred on or prior to the date of termination described in clause 6.1, but only in relation to and to the extent of those Obligations; and

(b) the Guarantee shall only terminate in respect of each Creditor referred to in clause 6.3(a) once the relevant Obligations have been satisfied in full (whether by action taken by the Bank, ICBC NZ, the relevant Creditor or by operation of law) and following expiration of any bankruptcy or other regulatory preference periods (as applicable).

7. SUBROGATION

7.1 Subject to clauses 2.3 and 2.4, the Bank and ICBC NZ expressly agree that the Bank is and shall be entitled to all the rights and remedies of a guarantor under law including, without limiting the generality of the foregoing, all rights of subrogation which shall accrue to the Bank by virtue of any payment hereunder by the Bank to or for the benefit of any Creditor and, subject to the law, the Bank shall be entitled to claim the benefit of and participate in any security now or hereafter held by that Creditor from ICBC NZ either in whole or upon a pro-rata basis, as the case may be, where the

Bank has paid all moneys owing to that Creditor in respect of an Obligation in accordance with this Deed. Notwithstanding the generality of the foregoing, the Bank shall not exercise or seek to enforce any claim against ICBC NZ (whether or not in liquidation) for reimbursement to the Bank of any moneys paid pursuant to this Deed by the Bank to a Creditor in respect of an Obligation until the default of ICBC NZ in respect of that Obligation has been fully remedied by ICBC NZ or the Bank.

8. DEALINGS BETWEEN THE BANK AND THE CREDITORS

8.1 After receipt of a written demand from a Creditor under clause 3 the Bank and that Creditor shall deal with one another as principal in relation to all matters under or in relation to this Deed, the Guarantee and ICBC NZ.

8.2 Without limiting the generality of clause 9, the Bank shall be and is entitled to serve any notice, demands or statements in connection with this Deed upon that Creditor (at its place of business specified in the Creditor's written demand to the Bank under clause 3) and the Bank shall be and is entitled to make any payment which it is liable to pay to the Creditor under this Deed directly to that Creditor and not through any other Person.

9. NOTICES

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

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

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

Attention: Head of Asia-pacific Institutions Management Division, International Banking Department

to ICBC NZ:
Industrial and Commercial Bank of China (New Zealand) Limited
Level 11, 188 Quay Street, Auckland 1010, New Zealand

Attention: Managing Director

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

10. AMENDMENT

10.1 Subject to clause 10.3, any provision of this Deed may be amended or supplemented by agreement in writing between the Bank and ICBC NZ.

10.2 Subject to clause 10.3, the Bank may, from time to time and without any authority or assent of ICBC NZ or the Creditors, alter, modify, or add to this Deed if in the reasonable opinion of the Bank:

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

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

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

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

10.3 No further consent from Creditors shall be required to any amendment or supplement to this Deed, provided that notice of such amendment or supplement shall be given by ICBC NZ to the Creditors by an advertisement circulating generally throughout New Zealand.

10.4 The Bank and ICBC NZ shall ensure that a copy of any proposed amendment or supplement to this Deed is provided to each Rating Agency at least 10 Business Days prior to the amendment or variation taking effect.

10.5 The Guarantee is issued in replacement of and in substitution for the Deed of Guarantee by the Bank dated 2 September 2013 and, for the avoidance of doubt, all amounts guaranteed under that guarantee shall be Obligations for the purposes of this Deed.

11. GOVERNING LAW

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

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

12. ASSIGNMENT

12.1 No party to this Deed may assign its rights or obligations hereunder without the consent in writing of the other party and without first having given prior written notice to each Rating Agency.

13. CERTIFICATE

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

EXECUTED as a **Deed**

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

Chairman

EXECUTED as a **DEED** for and on behalf of **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED** by its Authorised Signatory / Attorney)

Signature

[Print Name] in the presence of

Witness signature

Full name

Nathan Edwin Hansen-Thorpe
Solicitor
Auckland

Address

Occupation

BF 53113331-3 | Page 8