INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the year ended 31 December 2021

Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China (New Zealand) Limited for the year ended 31 December 2021 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 2021 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 of restrictions on 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.

The address for service of ICBC is:

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

As at 30 September 2021, the most recent publicly disclosed (audited) capital of ICBC was RMB 3,163,285 million (year ended financial report - audited) (NZD 726,290 million), representing 17.45% of risk weighted exposure.

(b) Credit Ratings

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 (Strong capacity to meet the financial commitments on the obligations)	F1+ (strongest capacity for timely payment of financial commitments)
Outlook	Stable	Stable	Stable

(c) Rating movement history

On 10 January 2022, Standard & Poor's Ratings Services affirmed the long-term and short-term issuer credit rating and maintained a stable outlook.

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 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 persons authorised to sign the Disclosure Statement on behalf of the Board, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, are Qian Hou (Executive Director) and Donald Thomas Brash (Chairman, Independent 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
- Wei Luo, Non-Executive Director

There have been no changes in the composition of the board since the date of signing of the Disclosure Statement for the year ended 31 December 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:
Kempton Holdings No. 4 Limited, Troika Family Trust Nominees Limited, Brash Forestry Limited, Eljean's Orchard 2021 Limited, Eljean's Investments Limited, Hobson's Pledge Trustee Limited, Southpark Property Investments no. 3 Limited, Southpark Property Holdings No.2 Limited

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:
Landmark Capital Limited, Fundit Holdings Limited, Te Toroa Limited, Philipsen Consulting Limited, Fundit 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:

Deloitte Limited
Deloitte Centre
80 Queen Street
Auckland 1010, New Zealand

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

These conditions of registration apply on and after 1 October 2021.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;

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 Subpart B2 of BPR100: Capital Adequacy;

"Total capital" has the same meaning as in BPR110: Capital Definitions.

1A. That—

(a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in Part D of BPR100: Capital Adequacy;

(b) under its ICAAP the bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and

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

1B. That, if the Prudential Capital Buffer (PCB) ratio of the banking group is 2.5% or less, the bank must—

(a) according to the following table, limit the aggregate distributions of the bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the banking group's PCB ratio; and

Banking group's PCB ratio	Percentage limit to distributions of the bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	**0%**	**Stage 3**
>0.5 – 1%	**30%**	**Stage 2**
>1 – 2%	**50%**	**Stage 1**
>2 – 2.5%	**50%**	**None**

(b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

For the purposes of this condition of registration,—

"prudential capital buffer ratio","distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

1BA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

1C. That, if the prudential capital buffer ratio of the banking group is more than 2.5%, the bank must limit aggregate distributions, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to no more than 50% of the bank's earnings.

For the purposes of this condition of registration,—

"prudential capital buffer ratio", "distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions;

the bank must not make any individual dividend payment contributing to aggregate distributions for a financial year until it has completed its interim financial accounts for the first six months of its financial year or its annual financial accounts for its full financial year, and must not make any such dividend payment less than six months after any previous such dividend payment.

1D. That:

(a) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and

(b) the bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

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 October 2021.

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.

[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.)

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

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

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

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

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

   (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
   (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
   (c) the one-year core funding ratio of the banking group is not less than 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 May 2021 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated May 2021.

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

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

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

   For the purposes of this condition,—

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

   "SPV" means a person—

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

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

14. That—

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

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

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

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

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

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

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

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

15. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

16. That, for a loan-to-valuation measurement period ending on or before 31 March 2022, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

17. That, for a loan-to-valuation measurement period ending on or after 30 April 2022, the total of the bank's qualifying new mortgage lending amount in respect of non property investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

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

In conditions of registration,—

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

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

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1D, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are—

BPR document	**Version date**
BPR100: Capital adequacy	1 October 2021
BPR110: Capital definitions	1 October 2021
BPR120: Capital adequacy process requirements	1 July 2021
BPR130: Credit risk RWAs overview	1 July 2021
BPR131: Standardised credit risk RWAs	1 October 2021
BPR132: Credit risk mitigation	1 October 2021
BPR133: IRB credit risk RWAs	1 October 2021
BPR134: IRB minimum system requirements	1 July 2021
BPR140: Market risk exposure	1 October 2021
BPR150: Standardised operational risk	1 July 2021
BPR151: AMA operational risk	1 July 2021
BPR160: Insurance, securitisation, and loan transfers	1 July 2021
BPR001: Glossary	1 July 2021

In conditions of registration 15 to 18,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021:

"loan-to-valuation measurement period" means—

(a) the six calendar month period ending on the last day of March 2022; and

(b) thereafter a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of April 2022.

Changes in Condition of Registration:

Changes to incorporate the new Banking Prudential Requirements (BPRs) from 1 October 2021.

From 1 Nov 2021:
LVR restrictions for owner-occupiers will be further restricted to a maximum of 10% of new lending at LVRs above 80%.

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 10 January 2022, Standard & Poor's Ratings Services affirmed the long-term and short-term issuer credit rating and maintained a stable outlook.

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

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.

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 2021 12 mths	31 December 2020 12 mths	31 December 2019 12 mths	31 December 2018 12 mths	31 December 2017 12 mths
Income Statement					
Interest Income	57,071	66,706	83,334	79,133	47,289
Interest Expense	(22,401)	(37,182)	(48,847)	(42,840)	(25,317)
Net Interest Income	34,670	29,524	34,487	36,293	21,972
Net gains/(losses) on financial instruments at fair value through P&L	787	24,565	123	12,804	7,432
Fees and other income	1,046	(18,965)	1,217	(11,068)	(6,402)
Total operating income	36,503	35,124	35,827	38,029	23,002
Operating expenses	(19,225)	(17,270)	(18,756)	(17,087)	(14,523)
Impairment provisioning on financial assets	(1,214)	(399)	14,919	(10,631)	(12,563)
Net profit/(loss) before taxation	16,064	17,455	31,990	10,311	(4,084)
Taxation (expense)/ benefit	(4,538)	(4,917)	(9,016)	(2,946)	2,885
Net profit/(loss) after taxation	11,526	12,538	22,974	7,365	(1,199)
Net profit or loss attributable to non-controlling interests	-	-	-	-	-
Ordinary Dividend	-	-	-	-	-
Significant balance sheet items					
Total Assets	2,239,446	2,046,057	2,281,516	2,135,815	1,662,033
Total Liabilities	1,958,013	1,776,150	2,024,467	1,901,740	1,522,738
Total Equity	281,433	269,907	257,049	234,075	139,295
Asset Quality					
Individually Impaired Assets	5,436	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 2021:

   (a) The Registered Bank has complied in all material respects with each 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 2022 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 T. Brash

Donald Thomas Brash
Chairman/Independent Director

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the year ended 31 December 2021

Contents

STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Audited 31 December 2021	Audited 31 December 2020
Interest Income*	2	57,071	66,706
Interest Expense*	2	(22,401)	(37,182)
Net Interest Income		**34,670**	**29,524**
Net gains/(losses) on financial instruments at fair value through P&L	3	787	24,565
Fees and other Income	4	1,046	(18,965)
Total operating income		**36,503**	**35,124**
Operating expenses	5	(19,225)	(17,270)
Impairment provisioning on financial assets	6	(1,214)	(399)
Net profit/(loss) before taxation		**16,064**	**17,455**
Taxation expense	7	(4,538)	(4,917)
Net profit/(loss) after taxation		**11,526**	**12,538**
Other comprehensive income		-	-
Total comprehensive income		**11,526**	**12,538**

*All interest income and interest expense are calculated using the effective interest method.
The accounting policies and other notes (1-37) form part of, and should be read in conjunction with, these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the year ended 31 December 2021 (audited)				
Balance at 31 December 2020		233,540	36,367	269,907
Capital injection from shareholders		-	-	-
Net profit/(loss) and other comprehensive income for the year		-	11,526	11,526
Total equity movement for the year		-	11,526	11,526
Balance at 31 December 2021	26	233,540	47,893	281,433
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) and other comprehensive income 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

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

Thousands of dollars	Note	Audited 31 December 2021	Audited 31 December 2020
Assets			
Cash, cash equivalents and balances with central banks	9	247,830	194,788
Amounts due from related parties	21	4,332	3,024
Due from banks and other financial institutions	10	149,999	10,000
Investment securities	12	194,281	197,210
Derivative financial assets	11,14	2,038	7,698
Loans and advances to customers	13,27	1,620,744	1,613,933
Right-of-use assets	17	7,747	9,212
Current tax assets	8	-	491
Property, plant and equipment	16	590	153
Intangible assets	18	2	7
Deferred tax assets	8	5,856	4,658
Other assets	19	6,027	4,883
Total assets		**2,239,446**	**2,046,057**
Liabilities			
Due to central banks and other financial institutions	20	1	1
Amounts due to related parties	21	532,849	424,717
Derivative financial liabilities	11,14	3,760	3,292
Deposits from customers	22	599,266	650,797
Certificates of deposit	23	193,133	79,750
Subordinated loans due to related parties	24	70,000	70,000
Debt securities issued	23	536,011	523,178
Lease liabilities	17	8,277	9,645
Current tax liabilities	8	2,300	-
Deferred tax liabilities	8	-	876
Other liabilities	25	12,416	13,894
Total liabilities		**1,958,013**	**1,776,150**
Shareholder's equity			
Share capital	26	233,540	233,540
Reserves	26	47,893	36,367
Total shareholder's equity		281,433	269,907
Total shareholder's equity and liabilities		**2,239,446**	**2,046,057**
Total interest earning and discount bearing assets	29	2,219,889	2,029,566
Total interest and discount bearing liabilities	30	1,862,606	1,708,794

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 2022 and are signed on their behalf by:

Qian Hou
Executive Director

Donald T. Brash

Donald Thomas Brash
Chairman/Independent Director

STATEMENT OF CASH FLOWS

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Cash flows from operating activities		
Interest income	57,158	68,554
Other income	7,960	1,987
Interest expense	(25,110)	(39,359)
Long-term lease payments	(1,511)	(1,340)
Variable and short-term lease	(12)	(9)
Personnel expenses	(13,238)	(12,305)
Other operating expenses`	(4,496)	(3,900)
Taxes paid	(3,821)	(7,572)
Net cash flows applied to operating activities before changes in operating assets and liabilities	**16,930**	**6,056**
Changes in operating assets and liabilities arising from cash flow movements:		
(Increase)/decrease in loans and advances to customers	(7,310)	102,636
Increase/(decrease) in deposits from customers	(51,531)	(164,048)
Increase/(decrease) in amounts due to related parties	184,426	(23,190)
Increase/(decrease) in other liabilities	(127)	(410)
(Increase)/decrease in amounts due from related parties	(1,308)	20,126
Increase/(decrease) in certificates of deposit	113,383	32,053
Net change in operating assets and liabilities	**237,533**	**(32,833)**
Net cash flows applied to operating activities	**254,463**	**(26,777)**
Cash flows applied to investing activities		
Purchase of property, plant and equipment	(548)	(144)
Purchase of intangible assets	-	-
(Purchase)/disposal of investment securities	2,250	(15,146)
Net cash flows applied to investing activities	1,702	(15,290)
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	13,170	(138,696)
Net cash flows applied to financing activities	13,170	(138,696)
Increase/(decrease) in cash and cash equivalents	269,335	(180,763)
Cash and cash equivalents at beginning of year	85,644	266,407
Cash and cash equivalents	**354,979**	**85,644**
Cash and cash equivalents at end of year comprised:		
Cash, cash equivalents and balances with central banks	247,830	194,788
Due from banks and other institutions classified as cash equivalents	150,000	10,000
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	(42,850)	(119,143)
Total cash and cash equivalents	**354,979**	**85,644**

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

STATEMENT OF CASH FLOWS (CONTINUED)

Thousands of Dollars	Audited 31 December 2021	Audited 31 December 2020
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net profit after taxation	**11,526**	**12,538**
Non cash movements:		
Unrealised fair value adjustments	5,574	(3,628)
Depreciation	111	43
Amortisation of intangibles	5	5
Amortisation of Right-of-use assets	1,425	1,317
Amortisation of financial instruments	651	804
Gain/loss on modification of lease contracts	-	-
Increase/(decrease) in allowance for impairment losses	1,209	404
Loss on written-off financial assets	5	-
Bad debts recovery	-	(6)
Unrealised foreign exchange gain/(loss)	554	16
(Increase)/decrease in deferred taxation	(2,074)	926
Amortisation of debt securities issued	(337)	(10)
Increase/(decrease) in operating assets and liabilities	**7,123**	**(129)**
(Increase)/decrease in interest receivable	(461)	1,989
Increase/(decrease) in interest payable	(2,556)	(2,387)
(Increase)/decrease in loans and advances to customers	(7,310)	102,636
Increase/(decrease) in deposits from customers	(51,531)	(164,048)
Increase/(decrease) in certificates of deposit	113,383	32,053
Increase/(decrease) in lease liabilities	(1,328)	(1,121)
Increase/(decrease) in other liabilities	392	(1,773)
Increase/(decrease) in amounts due to related parties	184,426	(23,190)
(Increase)/decrease in current taxation	2,791	(3,581)
(Increase)/decrease in other assets	(684)	110
(Increase)/decrease in amounts due from related parties	(1,308)	20,126
Net cash flows applied to operating activities	**254,463**	**(26,777)**

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

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2021 (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 2021
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	523,178	13,170	(337)	-	536,011
Total liabilities from financing activities	593,178	13,170	(337)	-	606,011

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

Note 1 - Accounting Policies

(1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank", "ICBC NZ"). 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 2021.

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 2022. 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 to have been resilient. There was greater disruption from the Auckland restrictions in Q4 2021, however the Bank's lending portfolio has shown limited impact from this.

The Bank continues 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 beyond 31 December 2021, but more specifically that the long term impact of Covid-19 remains: uncertain and 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 reduced. The global economic impact of Covid-19 is particularly apparent through ongoing supply chain disruptions, product shortages and now inflationary pressures.

Note 1 - Accounting Policies (continued)

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 2021.

(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 include 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 expected credit losses (ECL). 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 financial assets measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (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.

(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.

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:

Note 1 - Accounting Policies (continued)

(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.

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.

Note 1 - Accounting Policies (continued)

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'.

Measurement of ECL
The expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. ECLs are measured over two different time horizons, depending on whether the credit risk of the financial assets has increased significantly since the exposure was first recognised:

- 12-month ECLs (Stage 1), which apply to the financial assets of which the credit risk does not increase significantly in current classification period comparing with the initial judgement;

  12-month ECLs are defined as a portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. The standard explains further that the 12-month ECLs are a portion of the lifetime ECLs that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

- Lifetime ECLs (Stages 2 and 3), which apply to financial assets of which the credit risk does increase significantly in current classification period comparing with the initial judgement (Stage 2) or with objective impairment evidence (Stage 3).

  Lifetime ECLs are the losses that result from all possible default events over the expected life of a financial instrument. The Bank needs to estimate the risk of a default occurring on the financial instrument during its expected life.

Note 1 - Accounting Policies (continued)

ECLs are a probability-weighted estimate of the present value of cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of a default occurring used as the weights). The Bank's approach leveraged the existing processes for the Bank's loan portfolios that use the existing Internal Rating based and behavioural credit models. IFRS 9 considers the calculation of ECL by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD):

Probability of Default ("PD") –This is an estimate of the likelihood of default over a given time horizon (e.g. 12 months or lifetime). PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. PD is adjusted based on the results of the Internal Ratings-Based Approach, taking the forward-looking information into account to reflect the debtor's point-in-time ("PIT") PD under the current macroeconomic environment.

Loss Given Default ("LGD") –This is an estimate of the loss arising on default. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals.

Exposure at Default ("EAD") –This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

The ECL calculation considers all reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Each parameter is calibrated to reflect current and future macro- and micro- economic conditions and obligor-specific considerations.

The methodology used to estimate expected credit losses is consistent with that applied in the Disclosure Statement for the year ended 31 December 2020. The Bank has reviewed its ECL model, updated the macroeconomic indicators and associated forward-looking factors by using Gross Domestic Product ("GDP") and other data from the international Monetary Fund (IMF), which incorporate the impact of COVID-19. The Bank reversed a $3.3M overlay provision booked in the year 2020, which has been reflected in the result of updated ECL model.

Criteria for determining significant increase in credit risk
At each reporting date, the Bank assesses whether or not the credit risk of the financial assets it holds has increased significantly since the initial recognition. The Bank takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main consideration includes:

- regulatory and operating environment;
- internal and external credit risk gradings;
- debt-serving capacity, operating capabilities;
- contractual terms;
- contractual repayments overdue for more than 30 days.

The Bank compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the reporting date to the risk of default at initial recognition to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments.

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.

Note 1 - Accounting Policies (continued)

- 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.

Forward-looking information
IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since initial recognition. The Bank is using three scenarios that are probability weighted to determine ECL.

The Bank's ECL allowance methodology requires the Bank to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

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.

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.

Note 1 - Accounting Policies (continued)

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.

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.

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.

Note 1 - Accounting Policies (continued)

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 liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be reality determined, 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.

(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 2020.

The Bank has applied, where relevant, all new or revised accounting standards and interpretations effective for the year ended 31 December 2021.

(p) NZ IFRS Accounting Standards Issued but Not Yet Effective
The new Standards and amendments to existing standards are not expected to have a material impact on the Bank preparing the financial statements.

(6) Comparative Financial Statements
Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement comparative affected are: Statement of Cashflow as at 31 December 2020, and note 28(a).

Note 2 - Interest Income and Interest Expense

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Interest Income		
Loans and advances to customers	50,202	58,322
Government and local authority securities	785	773
Due from other financial institutions	405	1,687
Amounts due from related parties	15	8
Other securities	4,710	4,989
Cash and liquid assets	-	13
Income from derivative	954	914
Total interest income	57,071	66,706
Interest expense		
Deposits from customers	5,971	15,783
Debt securities issued	10,919	13,801
Secured and unsecured borrowings	-	12
Amounts due to related parties	5,328	7,364
Lease liabilities	183	219
Other interest expenses	-	3
Total interest expense	22,401	37,182

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

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Financial assets designated at fair value through profit or loss upon initial recognition	-	-
Derivative financial instruments	787	24,565
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	787	24,565

Note 4 – Fees and Other Income

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Banking and lending fee income	378	755
Payment services fee income	472	506
Net foreign exchange gains/(losses)	(5,128)	(20,425)
Gains/(losses) on modification of lease	-	-
Other revenue	5,324	199
Total other income	1,046	(18,965)

Note 5 - Operating Expenses

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Auditor's remuneration:		
Audit of financial statements	122	185
Review of financial statements	25	32
Other assurance services	-	11
Taxation and other services	-	-
Fees paid to auditors	147	228
Amortisation and Depreciation:		
Computer hardware	73	35
Office equipment	2	1
Furniture, fittings, and leasehold improvements	36	7
Amortisation of intangible assets	5	5
Total amortisation and depreciation	116	48
Employee benefits:		
Wages and salaries	12,870	11,627
Kiwi Saver Contribution	120	88
Other Employment-Related Expenses	387	198
Total employee benefits	13,377	11,913
Lease expenses:		
Amortisation of Right-of-use assets	1,425	1,317
Short term lease payments	-	31
Variable lease payments	12	9
Total lease expenses	1,437	1,357
Other expenses:		
Tax advisory services	82	96
Donations	-	3
Directors' fees	340	270
Professional consulting fee	423	270
Building occupation costs	401	347
Promotion and marketing costs	228	194
Membership fee	172	153
Other operating expenses	2,502	2,391
Total other expenses	4,148	3,724
Total operating expenses	19,225	17,270

Note 6 - Impairment Allowance

Audited 31 December 2021

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 2021
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,464	6,716	37	1	951	-	10,170
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	686	-	-	-	-	-	686
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) - Individual	-	570	3,425	-	-	-	-	3,995
Balance as at 31 December 2021	1	3,720	10,141	37	1	951	-	14,851

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) - Individual	-	570	3,425	-	-	-	-	3,995
Balance as at 31 December 2020	1	2,753	10,614	9	-	265	-	13,642

Note 6 - Impairment Allowance (continued)

Movement in provision for credit impairment	Audited 31 December 2021				
	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Residential mortgage lending					
Balance at beginning of period	2,166	17	-	570	2,753
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	17	(17)	-	-	-
Transfer to stage 2	(1)	1	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	282	685	-	-	967
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	2,464	686	-	570	3,720
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	-	-	-	5	5
Bad debts written off	-	-	-	(5)	(5)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	1	-	-	-	1
Corporate and institutional					
Balance at beginning of period	7,189	-	-	3,425	10,614
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	(473)	-	-	-	(473)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	6,716	-	-	3,425	10,141
Investment securities					
Balance at beginning of period	9	-	-	-	9
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	28	-	-	-	28
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	37	-	-	-	37

Note 6 - Impairment Allowance (continued)

Movement in provision for credit impairment	Audited 31 December 2021				
	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	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 2021	1	-	-	-	1
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	265	-	-	-	265
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	686	-	-	-	686
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021*	951	-	-	-	951
Total					
Balance at beginning of period	9,630	17	-	3,995	13,642
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	17	(17)	-	-	-
Transfer to stage 2	(1)	1	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	524	685	-	5	1,214
Bad debts written off	-	-	-	(5)	(5)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021*	10,170	686	-	3,995	14,851

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

Note 6 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2021				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Residential mortgage lending					
Balance at beginning of period	453,468	3,675	-	545	457,688
Net drawdown/(repayment)	60,515	-	-	(320)	60,195
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	3,675	(3,675)	-	-	-
Transfer to stage 2	(1,611)	1,611	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	516,047	1,611	-	225	517,883
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	61	-	-	-	61
Net drawdown/(repayment)	(39)	-	-	-	(39)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(5)	-	-	5	-
Bad debts written off	-	-	-	(5)	(5)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	17	-	-	-	17
Corporate and institutional					
Balance at beginning of period	1,164,192	-	-	5,360	1,169,552
Net drawdown/(repayment)	(52,697)	-	-	(149)	(52,846)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	1,111,495	-	-	5,211	1,116,706
Investment securities					
Balance at beginning of period	197,219	-	-	-	197,219
Net purchase/(disposal)	(2,901)	-	-	-	(2,901)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	194,318	-	-	-	194,318

Note 6 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2021				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	10,000	-	-	-	10,000
Net drawdown/(repayment)	140,000	-	-	-	140,000
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	150,000	-	-	-	150,000
Total					
Balance at beginning of period	1,824,940	3,675	-	5,905	1,834,520
Net addition/(deletion)	144,878	-	-	(469)	144,409
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	3,675	(3,675)	-	-	-
Transfer to stage 2	(1,611)	1,611	-	-	-
Transfer to stage 3	(5)	-	-	5	-
Bad debts written off	-	-	-	(5)	(5)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021*	1,971,877	1,611	-	5,436	1,978,924
Commitments and financial guarantee contracts					
Balance at beginning of period	430,724	-	-	-	430,724
Net increase/(decrease) facilities	(97,212)	-	-	-	(97,212)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	333,512	-	-	-	333,512

Note 6 - Impairment Allowance (continued)

Movement in provision for credit impairment	Audited 31 December 2020				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	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)

	Audited 31 December 2020				
Movement in provision for credit impairment	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(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					
Balance at beginning of period	9,242	-	-	3,995	13,237
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	(17)	17	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	405	-	-	6	411
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	(6)	(6)
Balance 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).

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Note 6 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	**Audited 31 December 2020**				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Residential mortgage lending					
Balance at beginning of period	483,965	-	-	545	484,510
Net drawdown/(repayment)	(26,822)	-	-	-	(26,822)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	(3,675)	3,675	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	453,468	3,675	-	545	457,688
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	65	-	-	-	65
Net drawdown/(repayment)	(4)	-	-	-	(4)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	61	-	-	-	61
Corporate and institutional					
Balance at beginning of period	1,237,409	-	-	7,947	1,245,356
Net drawdown/(repayment)	(73,217)	-	-	(2,587)	(75,804)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	1,164,192	-	-	5,360	1,169,552
Investment securities					
Balance at beginning of period	182,876	-	-	-	182,876
Net purchase/(disposal)	14,343	-	-	-	14,343
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	197,219	-	-	-	197,219

Note 6 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2020				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	226,362	-	-	-	226,362
Net drawdown/(repayment)	(216,362)	-	-	-	(216,362)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	10,000	-	-	-	10,000
Total					
Balance at beginning of period	2,130,677	-	-	8,492	2,139,169
Net addition/(deletion)	(302,062)	-	-	(2,587)	(304,649)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	(3,675)	3,675	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2020	1,824,940	3,675	-	5,905	1,834,520
Commitments and financial guarantee contracts					
Balance at beginning of period	585,212	-	-	-	585,212
Net increase/(decrease) facilities	(154,488)	-	-	-	(154,488)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2020	430,724	-	-	-	430,724

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Note 7 - Taxation

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Net profit/(loss) before taxation	16,064	17,455
Tax calculated at a tax rate of 28%	4,498	4,888
(Under)/over provision from prior period	-	-
Temporary differences not previously recognised	-	-
Utilisation of tax losses previously unrecognised	-	-
Other permanent differences	40	29
Taxation charge as per the statement of comprehensive income	4,538	4,917
Represented by:		
Current tax	6,612	3,991
Deferred tax	(2,074)	926
Taxation charge as per the statement of comprehensive income	4,538	4,917
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:		
Employee entitlements	(159)	(57)
Accelerated depreciation	28	36
Allowances for impairment losses	(339)	(113)
Other provisions and accruals	(43)	44
Other temporary differences	(1,561)	1,016
Tax effect of change in tax rate	-	-
Amortisation of intangibles	-	-
Recognised tax losses	-	-
Total temporary differences	(2,074)	926

Imputation credits

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Balances available for use in subsequent reporting periods		
Imputation credit account	25,443	18,857

The above amount represent the balance of the imputation credit 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 2021	Audited 31 December 2020
Current income tax (payable)/receivable		
Balance at beginning of the year	491	(3,090)
(Under)/over provision from prior period	(24)	(2)
Tax on profits/(losses) taken to reserves	-	-
Transfer from/(to) deferred tax	-	-
Current Year Tax charge	(6,588)	(3,989)
Utilisation of tax losses	-	-
Related party purchase of tax losses	-	-
Refundable Tax credits	-	-
Tax refunded	-	-
Tax paid in current year	3,821	7,572
Balance at end of the year	(2,300)	491
Deferred tax		
Balance at beginning of the year	3,782	4,832
Impact of initial adoption of NZ IFRS 16	-	(124)
Under/(over) provision from prior period	24	2
Temporary differences for the year	2,050	(928)
Tax on losses carried forward	-	-
Tax effect of change in tax rate	-	-
Credit to current tax	-	-
Balance at end of the year	5,856	3,782
Deferred tax assets		
Employee entitlements	634	474
Accelerated depreciation	204	231
Other provisions and accruals	176	133
Other temporary differences	684	-
Losses recognised in deferred tax	-	-
Allowance for loan impairment	4,158	3,820
Total deferred tax assets	5,856	4,658
Deferred tax liabilities		
Accelerated depreciation	-	-
Other temporary differences	-	(876)
Intangible assets	-	-
Total deferred tax liabilities	-	(876)
Net deferred taxation	5,856	3,782

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.

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

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Cash on hand	-	-
Cash with central banks	223,693	176,621
Call and overnight advances to financial institutions	24,137	18,167
Total cash and cash equivalents	247,830	194,788

Note 10 – Due from Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
NZ Registered Banks	149,999	10,000
Overseas Registered Banks	-	-
Other	-	-
Total amount due from other financial institutions	149,999	10,000
Current	149,999	10,000
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.

Derivative assets and liabilities

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

Audited 31 December 2021 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	2,038	(1,864)	174
	2,038	(1,864)	174
Financial Liabilities			
Derivative financial instruments	3,760	(1,864)	1,896
	3,760	(1,864)	1,896

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

Note 12 – Investment Securities

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Government stock and multilateral development banks	-	6,053
Local authority securities	57,004	64,421
Other debt securities	137,277	126,736
Total investment securities	194,281	197,210
Current	15,102	18,135
Non-Current	179,179	179,075

Note 13 – Loans and Advances to Customers

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Residential mortgage loans	517,883	457,688
Corporate exposures	1,116,706	1,169,552
Credit Cards	17	61
Other exposures	-	-
Allowance for impairment losses	(13,862)	(13,368)
Total net loans and receivables	1,620,744	1,613,933
Current	267,326	375,149
Non-Current	1,353,418	1,238,784

Note 14 – Derivative Financial Instruments

Audited 31 December 2021	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Foreign exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	62,205	723	-
- Option Contracts	-	-	-
Total Foreign exchange derivatives	62,205	723	-
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	265,000	1,315	3,760
- Option Contracts	-	-	-
Total Interest Rate derivatives	265,000	1,315	3,760
Total		2,038	3,760

Audited 31 December 2020	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Forward 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

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 2021, the Bank does not have any subsidiaries (31 December 2020: Nil).

Note 16 – Property, Plant & Equipment

Audited 31 December 2021

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, Fittings & Leasehold Improvements	Other Assets	Total
At cost	1,021	122	1,724	-	2,867
Accumulated depreciation	(888)	(114)	(1,712)	-	(2,714)
Opening carrying amount	133	8	12	-	153
Additions	79	20	449	-	548
Disposals	-	-	-	-	-
Depreciation	(73)	(2)	(36)	-	(111)
Write offs	-	-	-	-	-
Closing carrying amount	139	26	425	-	590
Total At cost	1,100	142	2,173	-	3,415
Total Accumulated depreciation	(961)	(116)	(1,748)	-	(2,825)
Total Closing carrying amount	139	26	425	-	590

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

Note 17 – Leases

Audited 31 December 2021

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-Use assets				
Balance as at 31 December 2020	9,136	40	36	9,212
Additions	-	91	-	91
Adjustment due to lease review	(131)	-	-	(131)
Disposals	-	-	-	-
Amortisation	(1,378)	(37)	(10)	(1,425)
Balance as at 31 December 2021	7,627	94	26	7,747
Lease Liabilities				
Balance as at 31 December 2020	9,566	41	38	9,645
Additions	-	91	-	91
Adjustment due to lease review	(131)	-	-	(131)
Lease payments	(1,465)	(36)	(10)	(1,511)
Interest expense on lease liabilities	181	1	1	183
Balance as at 31 December 2021	8,151	97	29	8,277

Audited 31 December 2020

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-Use assets				
Balance as at 31 December 2019	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 31 December 2019	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

The Bank's lease portfolio:

Real estate leases

Head Office: The Bank leases its head office. In 2020, the Bank opted to extend the lease for a further 8 years, and no further rights of renewal were granted. 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 5 years' lease of BCP office started on 21 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.

Note 18 – Intangible Assets

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Computer software	2	7
Total intangible assets	2	7
Computer software		
Cost brought forward	25	25
Accumulated amortisation brought forward	(18)	(13)
Opening net book value	7	12
Additions	-	-
Amortisation	(5)	(5)
Closing net book value	2	7

Note 19 – Other Assets

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Other receivables	1,269	585
Commissions receivable	-	-
Interest receivable	4,758	4,298
Trade and other receivables	6,027	4,883
Current	5,685	4,711
Non-Current	342	172

Note 20 – Due to Central Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
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 2021	Audited 31 December 2020
Amounts due from ultimate parent	4,332	3,024
Amount due from controlled entities of ultimate parent	-	-
Total amount due from related parties	4,332	3,024
Current	4,332	3,024
Non-Current	-	-
Amounts due to ultimate parent	532,453	424,289
Amount due to controlled entities of ultimate parent	396	428
Total amount due to related parties	532,849	424,717
Current	42,849	119,143
Non-Current	490,000	305,574

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 31 December 2021 is NZ$18M (31 December 2020: NZ$11M). 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$43M as at 31 December 2021 (31 December 2020: NZ$119M).

3. As at 31 December 2021, ICBC (NZ) has issued NZ$70m 5-years subordinated loan to ICBC Head Office (Note 24).The accrued interest of subordinated loan is NZ$310K as at 31 December 2021 (31 December 2020: $199K).

Note 22 – Deposits from Customers

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Demand deposits not bearing interest	76,931	49,294
Demand deposits bearing interest	28,390	13,680
Term deposits	493,945	587,823
Total deposits	599,266	650,797
Current	588,742	626,940
Non-Current	10,524	23,857

Note 23 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Certificates of deposit (CDs)	193,133	79,750
Other debt securities	536,011	523,178
Total debt securities issued	729,144	602,928
Current	428,803	266,580
Non-Current	300,341	336,348

Audited
31 December 2021
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	0.965 (fixed)	24 May 2022	10,000	9,905	9,905
New Zealand Dollar	2.2 (fixed)	26 October 2022	10,000	9,786	9,786
New Zealand Dollar	1.245 (fixed)	23 March 2022	15,000	14,907	14,907
New Zealand Dollar	2.2 (fixed)	26 October 2022	15,000	14,679	14,679
New Zealand Dollar	1.11 (fixed)	13 January 2022	10,000	9,972	9,972
New Zealand Dollar	1.035 (fixed)	6 January 2022	20,000	19,948	19,948
New Zealand Dollar	1.06 (fixed)	7 January 2022	20,000	19,947	19,947
New Zealand Dollar	0.8 (fixed)	23 February 2022	20,000	19,842	19,842
New Zealand Dollar	0.985 (fixed)	13 May 2022	10,000	9,903	9,903
New Zealand Dollar	1.255 (fixed)	12 April 2022	10,000	9,938	9,938
New Zealand Dollar	1.215 (fixed)	8 February 2022	15,000	14,955	14,955
New Zealand Dollar	0.85 (fixed)	22 March 2022	15,000	14,874	14,874
New Zealand Dollar	2.12 (fixed)	20 October 2022	15,000	14,688	14,680
New Zealand Dollar	2.2 (fixed)	26 October 2022	5,000	4,893	4,893
New Zealand Dollar	2.12 (fixed)	20 October 2022	5,000	4,896	4,893
				193,133	193,122

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

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.

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

Medium term notes issued			Audited 31 December 2021			Audited 31 December 2020		
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
New Zealand Dollar	3 month NZD BKBM+110bp	11 June 2021	-	-	-	100,000	100,000	100,000
New Zealand Dollar	3 month NZD BKBM+110bp	15 February 2021	-	-	-	45,000	45,000	45,000
New Zealand Dollar	3.47 (fixed)	27 September 2021	-	-	-	140	140	144
New Zealand Dollar	3.47 (fixed)	13 March 2021	-	-	-	28,190	28,190	28,190
New Zealand Dollar	3.47 (fixed)	27 February 2021	-	-	-	1,500	1,500	1,500
New Zealand Dollar	3.47 (fixed)	13 March 2021	-	-	-	500	500	500
New Zealand Dollar	3.47 (fixed)	15 March 2021	-	-	-	1,500	1,500	1,500
New Zealand Dollar	3.13 (fixed)	20 September 2021	-	-	-	10,000	10,000	10,247
New Zealand Dollar	3.20 (fixed)	31 May 2022	1,713	1,713	1,713	1,713	1,713	1,773
New Zealand Dollar	3.38 (fixed)	23 March 2023	432	432	441	432	432	460
New Zealand Dollar	3.25 (fixed)	24 August 2022	7,600	7,600	7,735	7,600	7,600	7,971
New Zealand Dollar	3.35 (fixed)	22 March 2022	6,200	6,200	6,200	6,200	6,200	6,442
New Zealand Dollar	3 month NZD B KBM+100bp	27 June 2022	220,000	220,158	220,000	220,000	220,524	220,000
New Zealand Dollar	2.61 (fixed)	27 June 2024	100,000	99,908	99,148	100,000	99,879	105,895
New Zealand Dollar	3 month NZD BKBM+68bp	29 February 2024	200,000	200,000	200,000	-	-	-
				536,011	535,237		523,178	529,622

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 2021
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 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

The subordinated loans due to related parties of NZ$70m as at 31 December 2021 are 5-year term of unsecured debts.

Note 25 – Other Liabilities

Thousands of dollars	**Audited 31 December 2021**	**Audited 31 December 2020**
Employee entitlements		
Accrued wages/salaries	58	68
Accrued Kiwi Saver Pension liability	-	-
Other Employee entitlements Accrued	3,096	2,749
Accounts payable	681	11
Interest payable	5,188	7,744
Provision for impairment on loan commitments and financial guarantee contracts	951	265
Other payables and deferred revenue	2,442	3,057
Total other liabilities	12,416	13,894
Current	11,432	13,067
Non-Current	984	827

Note 26 – Equity

Thousands of dollars	**Audited 31 December 2021**	**Audited 31 December 2020**
Share capital	233,540	233,540
Retained earnings	47,893	36,367
Total equity	281,433	269,907

	31 December 2021	**31 December 2020**
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 has disclosed certain component of its loan portfolio as impaired assets according to the classification below:

- Individually assessed provision is the allowance assessed individually against impaired credit exposures.
- Collective assessed provision is to both assess the staging of exposures and measure a loss allowance on a collective basis, the Bank groups its exposures on the basis of shared credit risk characteristics.

The Bank assesses the impairment of financial assets classified into stage 1 and stage 2 collectively, and assesses the impairment of stage 3 financial assets individually.

A past due asset not impaired is any credit exposure where a counterparty has failed to make a payment when contractually due, but is not impaired. The provision of a past due asset is assessed collectively.

Audited 31 December 2021	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	11	517,650	1,111,495	1,629,156
Past due assets not impaired				
Less than 30 days past due	6	8	-	14
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	6	8	-	14
Individually impaired assets				
Balance at beginning of the year	-	545	5,360	5,905
Additions	5	-	-	5
Amounts written off	(5)	-	-	(5)
Deletions	-	(320)	(149)	(469)
Total individually impaired assets	-	225	5,211	5,436
Total gross loans and advances	17	517,883	1,116,706	1,634,606
Individually assessed provisions				
Balance at beginning of the year	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	5	-	-	5
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	(5)	-	-	(5)
Balance at end of the period	-	570	3,425	3,995
Collectively assessed provisions				
Balance at beginning of the year	1	2,183	7,189	9,373
Charge/(credit) to the statement of comprehensive income	-	967	(473)	494
Other movements	-	-	-	-
Balance at end of the year	1	3,150	6,716	9,867
Total provisions for impairment losses	1	3,720	10,141	13,862
Net balance at end of the year	16	514,163	1,106,565	1,620,744

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Note 27 – Asset Quality (continued)

Audited 31 December 2020 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	60	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

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 2021 (31 December 2020: 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 $334M as at 31 December 2021 (31 December 2020: $422M).

There has been $18,394 interest revenue foregone on individually impaired or greater than 90 days past due assets during the period ended 31 December 2021 (31 December 2020: $14,317).

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

Note 28 – Transactions with Related Parties

(a) Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Bank are defined as the Directors and members of the senior executive team of the Bank. The information relating to the key management personnel disclosed in the tables below includes transactions with those individuals, their close family members and their controlled entities.

(i) Key Management Personnel Compensation

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Salaries and other short-term benefits	2,160	2,340
Other benefits	-	-
Total key management compensation	2,160	2,340

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

Audited 31 December 2021

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	412	(5)	407	(2)
Loans and Advances	-	-	-	-
Total	412	(5)	407	(2)

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)

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 $50K credit limit (31 December 2020:$80K). The amount owed on the card at 31 December 2021 was nil (31 December 2020: nil).

(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 a New Zealand registered bank and its business activities in New Zealand is 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 (Strong capacity to meet the financial commitments on the obligations)	F1+ (strongest capacity for timely payment of financial commitments)
Outlook	Stable	Stable	Stable

Note 28 – Transactions with Related Parties (continued)

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 2021**	**Audited 31 December 2020**
Interest income on amount due from related entities		
Ultimate parent	15	8
Subsidiaries of ultimate parent	-	-
Total interest income on amount due from related entities	15	8
Interest expense on amount due to related entities		
Ultimate parent	5,328	7,364
Subsidiaries of ultimate parent	-	-
Total interest expense on amount due to related entities	5,328	7,364
Other operating income		
Gain/(loss) on derivative contracts with ultimate parent	5,323	(1,030)
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	(632)	(432)
Other income/(expense)	(482)	198
Total other operating income/(expense)	**(4,209)**	**(1,264)**
Other operating expense		
Other operating expense paid to ultimate parent	-	-

Interest payable to parent as at 31 December 2021 was $800K (31 December 2020:$ 232K), and interest payable to subsidiaries of the ultimate parent was nil (31 December 2020: 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 2020: nil).

As at 31 December 2021, there is no outstanding risk participation agreements. (31 December 2020: $186,790K).

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 2021	Audited 31 December 2020
Government	281,302	247,768
Finance (including banks)	341,934	183,466
Households	518,766	458,453
Transport and storage	69,212	85,590
Communications	27,287	27,285
Construction	76,997	145,850
Property services	515,133	436,291
Agriculture	4,901	5,303
Forestry, fishing and mining	50,185	91,585
Health and community services	158,411	165,048
Retail and wholesale trade	60,175	70,129
Manufacturing	80,713	83,073
Education	3,006	22,665
Accommodation and food services	50,236	21,984
Less: allowance for impairment provisioning	(13,900)	(13,377)
Total financial assets	2,224,358	2,031,113
Less: non-interest earning financial assets	(4,469)	(1,547)
Total interest earning and discount bearing financial assets	2,219,889	2,029,566

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

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
New Zealand	2,032,197	1,801,248
Overseas	192,161	229,865
Total financial assets	2,224,358	2,031,113

Note 29 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Loans and advances to customers	1,620,744	1,613,933
Derivative financial instruments	130	3,333
Trade and Other Receivables	-	-
Other financial assets	3,700	3,066
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	1,624,574	1,620,332
Cash and cash equivalents	247,830	194,788
Amounts due from related parties	4,332	3,024
Due from other financial institutions	149,999	10,000
Investment securities	194,281	197,210
Derivative financial instruments	1,908	4,365
Loans and advances to customers	-	-
Tax Receivable	-	-
Other financial assets	1,434	1,394
Total on Balance Sheet Credit Exposures	2,224,358	2,031,113
Off Balance Sheet Exposures	333,512	430,724
Total Off Balance Sheet Credit Exposures	333,512	430,724

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

50.57% of the Bank's mortgage portfolio is owner-occupied residential properties (31 December 2020: 53.97%).

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 2020: 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 2021	Audited 31 December 2020
New Zealand		
Transport and storage	51,304	26,208
Financing investment and insurance	680,948	716,865
Electricity, gas and water	-	-
Food and other manufacturing	1,897	171,552
Construction	26,173	11,006
Communication	362	880
Government, local authorities and services	114,211	59,198
Agriculture	8	1
Forestry	507	279
Health and community services	-	21
Personal and other services	-	-
Property and business services	17,960	19,335
Education	17,252	9,121
Retail and wholesale trade	17,088	3,039
Accommodation and food services	1,251	134
Other	26,365	13,946
Households	61,939	73,482
Overseas		
Amounts due to related parties	604,065	497,178
Financing investment and insurance (not including ICBC group)	259,581	64,249
Households	73,921	106,663
Other deposits	847	1,984
Total financial liabilities	1,955,679	1,775,141
Less: non-interest bearing financial liabilities	(93,073)	(66,347)
Total interest and discount bearing liabilities	1,862,606	1,708,794

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

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Deposits from customers	599,266	650,797
Registered Banks	1	1
Derivative financial liabilities	3,760	3,292
Financial Investors	-	-
Certificates of deposit	193,133	79,750
Subordinated loans due to related parties	70,000	70,000
Debts securities issued	536,011	523,178
Amounts due to related parties	532,849	424,717
Lease liabilities	8,277	9,645
Other	12,382	13,761
Total financial liabilities	1,955,679	1,775,141

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

Note 31 – Capital Commitments

As at 31 December 2021, there were nil capital commitments (31 December 2020: nil).

Note 32 – Contingent Liabilities and Commitments

Thousands of dollars	Audited 31 December 2021	Audited 31 December 2020
Performance/financial guarantees issued on behalf of customers	-	8,662
Total contingent liabilities	-	8,662
Undrawn Commitments	333,512	422,062

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 2021 Number of Bank Counterparties			Audited During the 6 months period ended 31 December 2020 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%	2	-	-	1	-	-
25% - 29%	1	-	-	1	-	-
30% - 34%	-	-	-	-	-	-
35% - 39%	1	-	-	-	-	-
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	1	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
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 2021 Number of Other Counterparties			Audited During the 6 months period ended 31 December 2020 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	8	-	-	7
15% - 19%	-	-	8	-	-	9
20% - 24%	1	-	5	-	-	4
25% - 29%	-	-	3	-	-	4
30% - 34%	-	-	1	1	-	2
35% - 39%	-	-	1	-	-	3
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-

Note 34 – Financial Risk Management (continued)

Credit Exposures as at Reporting Date	Audited As at 31 December 2021 Number of Bank Counterparties			Audited As at 31 December 2020 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%	-	-	-	-	-	-
20% - 24%	1	-	-	-	-	-
25% - 29%	1	-	-	-	-	-
30% - 34%	-	-	-	-	-	-
35% - 39%	1	-	-	-	-	-
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 65%	-	-	-	-	-	-

Credit Exposures as at Reporting Date	Audited As at 31 December 2021 Number of Other Counterparties			Audited As at 31 December 2020 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	2	-	-	8
15% - 19%	-	-	8	-	-	8
20% - 24%	1	-	4	-	-	5
25% - 29%	-	-	3	-	-	2
30% - 34%	-	-	1	1	-	2
35% - 39%	-	-	1	-	-	1
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-
65% - 70%	-	-	-	-	-	-

Notes:
"A" Rated – those counterparties that have a long-term credit rating of A- or A3 or above, or its equivalent.
"B" Rated – those counterparties that have long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent.
Unrated – those counterparties that do not have a long-term credit rating for the reporting period.

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 2021, and peak end-of-day aggregate credit exposure, for the six months ended 31 December 2021, equalled or exceeded 10% of the Bank's Common Equity Tier One Capital.

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

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 2021 in relation to the Bank's Banking Group.

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2021 $'000	Audited During the 12 months period ended 31 December 2020 $'000
Credit exposures to connected persons	32,812	29,905
As a percentage of Tier One Capital of the Bank	11.91%	11.27%

Credit Exposures as at Reporting Date	Audited As at 31 December 2021 $'000	Audited As at 31 December 2020 $'000
Credit exposures to connected persons	22,506	14,392
As a percentage of Tier One Capital of the Bank	8.17%	5.43%

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2021 $'000	Audited During the 12 months period ended 31 December 2020 $'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 2021 $'000	Audited As at 31 December 2020 $'000
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

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 2021	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	42,850	807	6,087	504,024	-	553,768
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	107,319	314,758	171,088	11,018	-	604,183
Certificates of deposit	-	115,000	80,000	-	-	195,000
Subordinated loans due to related parties	-	290	35,992	35,290		71,572
Debt securities issued	-	8,221	235,397	308,065	-	551,683
Lease liabilities	-	337	1,148	5,487	1,813	8,785
Other financial liabilities	-	220	6,973	-	-	7,193
Total financial liabilities	150,170	439,633	536,685	863,884	1,813	1,992,185
Derivative cash flows						
Inflows from derivatives	-	62,624	3,885	7,396	-	73,905
Outflows from derivatives	-	(62,421)	(2,955)	(6,819)	-	(72,195)
Total	-	203	930	577	-	1,710
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	333,512	-	-	-	-	333,512
Total	333,512	-	-	-	-	333,512

Note 34 – Financial Risk Management (continued)

Audited 31 December 2020 Thousands of dollars	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	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

Liquidity portfolio management

Thousands of dollars	**Audited 31 December 2021**	**Audited 31 December 2020**
Cash, cash equivalents and balances with central banks	247,830	194,788
Amounts due from related parties	-	-
Due from banks and other financial institutions	149,999	10,000
Investment securities	194,281	197,210
Total liquidity portfolio	**592,110**	**401,998**

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 2021	Not 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	2,417	245,413	-	-	-	-	247,830
Amounts due from related parties	-	4,332	-	-	-	-	4,332
Due from banks and other financial institutions	(1)*	150,000	-	-	-	-	149,999
Investment securities	(37)*	9,000	-	6,103	35,417	143,798	194,281
Derivative financial assets	2,038	-	-	-	-	-	2,038
Loans and advances to customers	(13,861)*	1,175,182	166,114	136,894	130,721	25,694	1,620,744
Other financial assets	4,975	-	-	-	-	159	5,134
Total financial Assets	(4,469)	1,583,927	166,114	142,997	166,138	169,651	2,224,358
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	212,849	220,000	-	-	100,000	532,849
Derivative financial liabilities	3,760	-	-	-	-	-	3,760
Deposits from customers	76,931	363,626	111,758	36,428	10,360	163	599,266
Certificates of deposit	-	114,445	29,745	48,943	-	-	193,133
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	426,175	1,713	7,600	432	100,091	536,011
Lease liabilities	-	5	-	-	-	8,272	8,277
Other financial liabilities	12,382	-	-	-	-	-	12,382
Total financial liabilities	93,073	1,152,101	398,216	92,971	10,792	208,526	1,955,679
On-balance sheet gap	(97,542)	431,826	(232,102)	50,026	155,346	(38,875)	268,679
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(97,542)	331,826	(232,102)	50,026	155,346	61,125	268,679

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

Note 34 – Financial Risk Management (continued)

Audited 31 December 2020 Thousands of dollars	Not 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	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)

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 2021

Thousands of dollars	Carrying amount	-1% Profit	+1% Profit	-1% Equity	+1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	247,830	(7)	7	(7)	7
Amounts due from related parties	4,332	-	-	-	-
Due from banks and other financial institutions	149,999	-	-	-	-
Investment securities	194,281	(45)	45	(45)	45
Derivative financial assets	2,038	(91)	(853)	(91)	(853)
Loans and advances to customers	1,620,744	(10,940)	10,940	(10,940)	10,940
Other financial assets	5,134	-	-	-	-
Total financial assets	2,224,358	(11,083)	10,139	(11,083)	10,139
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	532,849	2,562	(2,562)	2,562	(2,562)
Derivative financial liabilities	3,760	853	91	853	91
Deposits from customers	599,266	1	(1)	1	(1)
Certificates of deposit	193,133	-	-	-	-
Subordinated loans due to related parties	70,000	494	(494)	494	(494)
Debt securities issued	536,011	3,352	(3,352)	3,352	(3,352)
Lease liabilities	8,277	-	-	-	-
Other financial liabilities	12,382	-	-	-	-
Total financial liabilities	1,955,679	7,262	(6,318)	7,262	(6,318)

Note 34 – Financial Risk Management (continued)

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)

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 2021

Thousands of dollars	HKD	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	16	510	12,717	6,828	381	20,452
Amounts due from related parties	-	-	-	4,332	-	4,332
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	24,940	7	52,347	-	77,294
Other financial assets	-	294	-	150	-	444
Total financial assets	16	25,744	12,724	63,657	381	102,522
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	-	-	-	-
Deposits from customers	-	178	12,633	21,058	214	34,083
Certificates of deposit	-	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	-	-	-	180	-	180
Total financial liabilities	-	178	12,634	21,238	214	34,264
Net on balance sheet financial position	16	25,566	90	42,419	167	68,258
Net derivative position	-	(24,860)	-	(36,585)	-	(61,445)
Total open position	16	706	90	5,834	167	6,813

Note 34 – Financial Risk Management (continued)

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)

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 2021

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	20,452	(2,045)	2,045	(2,045)	2,045
Amounts due from related parties	4,332	(433)	433	(433)	433
Due from banks and other financial institutions	-	-	-	-	-
Investment securities	-	-	-	-	-
Loans and advances to customers	77,294	(7,729)	7,729	(7,729)	7,729
Other financial assets	444	(44)	44	(44)	44
Total financial assets	102,522	(10,251)	10,251	(10,251)	10,251
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	-	-	-	-	-
Deposits from customers	34,083	3,408	(3,408)	3,408	(3,408)
Certificates of deposit	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	180	18	(18)	18	(18)
Total financial liabilities	34,264	3,426	(3,426)	3,426	(3,426)
Net derivative position	68,258	6,144	(6,144)	6,144	(6,144)
Total open position	6,813	(681)	681	(681)	681

Note 34 – Financial Risk Management (continued)

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

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 2021 (31 December 2020: nil).

Note 34 – Financial Risk Management (continued)

H. Financial Instruments by Category

Audited 31 December 2021

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	247,830	-	-	247,830
Amounts due from related parties	4,332	-	-	4,332
Due from banks and other financial institutions	149,999	-	-	149,999
Investment securities	194,281	-	-	194,281
Derivative financial assets	-	2,038	-	2,038
Loans and advances to customers	1,620,744	-	-	1,620,744
Other financial assets	5,134	-	-	5,134
Total financial assets	2,222,320	2,038	-	2,224,358

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	532,849	-	-	532,849
Derivative financial liabilities	-	3,760	-	3,760
Deposits from customers	599,266	-	-	599,266
Certificates of deposit	193,133	-	-	193,133
Subordinated loans due to related parties	70,000	-	-	70,000
Debt securities issued	536,011	-	-	536,011
Lease liabilities	8,277	-	-	8,277
Other financial liabilities	12,382	-	-	12,382
Total financial liabilities	1,951,919	3,760	-	1,955,679

Note 34 – Financial Risk Management (continued)

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 liability	-	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)

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.

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 2021

Thousands of dollars	Carrying amount	Estimated Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	247,830	-	247,830	-	247,830
Amounts due from related parties	4,332	-	4,332	-	4,332
Due from banks and other financial institutions	149,999	-	149,999	-	149,999
Investment securities	194,281	192,933	-	-	192,933
Derivative financial assets	2,038	-	2,038	-	2,038
Loans and advances to customers	1,620,744	-	1,618,195	-	1,618,195
Other financial assets	5,134	-	5,134	-	5,134
Total financial assets	2,224,358	192,933	2,027,528	-	2,220,461
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	532,849	-	534,775	-	534,775
Derivative financial liabilities	3,760	-	3,760	-	3,760
Deposits from customers	599,266	-	599,168	-	599,168
Certificates of deposit	193,133	-	193,122	-	193,122
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	536,011	-	535,237	-	535,237
Lease liabilities	8,277	-	8,277	-	8,277
Other financial liabilities	12,382	-	12,382	-	12,382
Total financial liabilities	1,955,679	-	1,956,722	-	1,956,722

Audited 31 December 2020

Thousands of dollars	Carrying amount	Estimated Fair Value Level 1	Level 2	Level 3	Total
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

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 conditions 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 Banking Prudential Requirements (BPR). For further information see Note 37.

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

- Corporate loans and discounted bills are mainly collateralised by properties or other assets and are assessed taking into account the customers stability of earnings and other factors.
- Retail loans are collateralised by residential properties.

The Bank prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral is assessed and confirmed by the Bank or valuation agents identified by the Bank.

The loan-to-value ratio depends on types of collateral, usage condition, liquidity and price volatility. For retail loans, regulatory restrictions also apply from time to time. All collateral has to be registered in accordance with the relevant laws and regulations. The relationship managers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Bank's policy to dispose of assets in an orderly manner, where mortgage defaults occur. In general, the Bank does not occupy or take possession of assets.

As at 31 December 2021, the gross carrying amount of corporate loans amounted to NZD 1,117M (31 December 2020: NZD 1,170M), of which credit exposure covered by collateral amounted to NZD 759M (31 December 2020: NZD 732M). Retail loans are fully collateralised by residential properties. As at 31 December 2021, the gross carrying amount of retail loans amounted to NZD 518M (31 December 2020: NZD 458M).

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 2021.

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.

Note 37 – Capital Adequacy (continued)

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

(b) Other Classes of Capital Instrument

As at 31 December 2021, the 5-year subordinated loan of NZ$70m ("The loan") issued by the Bank to ICBC Head Office (Note 24) has a recognised amount of NZ$21m. The loan is subordinated, unsecured. The loan issued by the Bank qualifies for Tier 2 capital instruments subject to phase-out in accordance with BPR110 (Banking Prudential Requirements).

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 2021 and 31 December 2020. 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 2021**	**31 December 2020**
Tier one capital		
Common Equity Tier one capital		
Issued and fully paid up share capital	233,540	233,540
Retained earnings	47,893	36,367
Accumulated other comprehensive income and other disclosed reserves	-	-
Interest from issue of ordinary shares	-	-
Less:	-	-
Goodwill and other intangible assets	(2)	(7)
Regulatory adjustments	-	-
Deferred tax assets	(5,856)	(4,658)
Total common equity tier one capital	275,575	265,242
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	275,575	265,242
Tier two capital		
Subordinated loans due to related parties	21,000	35,000
Share premium from issue of instruments	-	-
Revaluation reserves	-	-
Foreign currency translation reserves	-	-
Eligible impairment allowance in excess of expected loss	-	-
Less: Regulatory adjustments	-	-
Total tier two capital	21,000	35,000
Total capital	296,575	300,242

The Bank currently has NZ$21M 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 2021 **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	223,691	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities - bond	57,004	20%	11,401	912
Public sector entities – government body	-	20%	-	-
Banks rating grade 1	255,972	20%	51,194	4,096
Banks rating grade 2 (≤3 months)	18,098	20%	3,620	290
Banks rating grade 2 (>3 months)	41,727	50%	20,864	1,669
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	2,823	100%	2,823	226
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	1,101,906	100%	1,101,906	88,152
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	260,065	35%	91,023	7,282
Residential mortgages (investment) not past due -LVR up to 80%.	254,442	40%	101,777	8,142
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	(345)	100%	(345)	(28)
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	1,786	100%	1,786	143
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	22,277	100%	22,277	1,782
Total on balance sheet exposures after credit risk mitigation	2,239,446	-	1,408,326	112,666

Note 37 – Capital Adequacy (continued)

31 December 2021 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	-	50%	-	100%	-	-
Trade-related contingency	-	20%	-	100%	-	-
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	303,630	50%	151,815	100%	151,815	12,145
Other commitments where original maturity is more than one year (Public Sector)	27,712	50%	13,856	20%	2,771	222
Other commitments where original maturity is less than or equal to one year	1,219	20%	244	100%	244	20
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%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	62,205	1%	622	100%	622	50
(b) Interest rate contracts (exposure less than 1 year)	-	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	265,000	0.50%	1,325	100%	1,325	106
Interest rate contracts (exposure more than 5 years)	-	1.5%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
Total off-balance sheet exposures	659,766	-	167,862	-	156,777	12,543

Note 37 – Capital Adequacy (continued)

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 - bond	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) included in the NZX 50 or overseas equivalent index	-	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%	-	-
Counterparty credit risk						
(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

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.

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

31 December 2021

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	514,163	-	-	514,163

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

Note 37 – Capital Adequacy (continued)

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	31 December 2021	31 December 2020
Residential mortgage loans (as disclosed in Note 6,13)		
On balance sheet exposures		
Residential – owner occupied	261,883	247,025
Residential - investment	256,000	210,663
Residential – corporate lending	-	-
Provisions for impairment losses on loans and advances	(3,720)	(2,753)
Residential mortgages by loan-to-valuation ratio	514,163	454,935
Off balance sheet exposures	-	-
Total	514,163	454,935

(g) Credit risk mitigation

31 December 2021 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 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	-	-

(h) Operational risk capital requirement

31 December 2021

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	109,438	8,755

31 December 2020

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

Note 37 – Capital Adequacy (continued)

(i) Market Risk

Market risk exposures have been calculated in accordance with the methodology detailed in BPR140 of the RBNZ's Banking Prudential Requirements, and schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the relevant period of the aggregate capital charge at the close of each business day derived in accordance with BPR140 of the Reserve Bank's Banking Prudential Requirements.

31 December 2021	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	49,848	3,988	90,663	7,253
Foreign currency risk	6,813	545	12,325	986
Equity risk	-	-	-	-
Total capital requirements	56,661	4,533	102,988	8,239

31 December 2021

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,899,212	1,565,103	125,208
Operational risk	-	109,438	8,755
Market risk	-	56,661	4,533
Total	2,899,212	1,731,202	138,496

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

Capital ratios

Regulatory Capital Ratios	**Regulatory Minimum**	**31 December 2021**	**31 December 2020**
Common Equity Tier 1 Capital Ratio	4.50%	15.92%	15.09%
Tier 1 Capital Ratio	6.00%	15.92%	15.09%
Total Qualifying Capital Ratio	8.00%	17.13%	17.08%
RBNZ required Buffer Ratio	2.50%	9.13%	9.08%

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 2020:2%) 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 2021	Unaudited For the 3 months ended 30 September 2021	Unaudited For the 3 months ended 31 December 2020	Unaudited For the 3 months ended 30 September 2020
One-week mismatch ratio	10.82%	7.53%	10.35%	12.70%
One-month mismatch ratio	16.66%	12.45%	16.71%	19.26%
Core funding ratio	80.80%	80.40%	84.29%	86.54%

(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 2021, 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.

	30 September 2021	**31 December 2020**
Ultimate Parent Bank Group		
Common Equity Tier 1 Capital Ratio	13.14%	13.18%
Tier 1 Capital Ratio	14.68%	14.28%
Total Capital Ratio	17.45%	16.88%
Ultimate Parent Bank		
Common Equity Tier 1 Capital Ratio	13.03%	13.14%
Tier 1 Capital Ratio	14.60%	14.24%
Total Qualifying Capital Ratio	17.55%	17.02%

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Independent Auditor's Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (EXCLUDING SUPPLEMENTARY INFORMATION RELATING TO CAPITAL ADEQUACY AND REGULATORY LIQUIDITY REQUIREMENTS)

Opinion

We have audited the financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of Industrial and Commercial Bank of China (New Zealand) Limited (the 'Registered Bank').

The financial statements comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The supplementary information (excluding the information related to Capital Adequacy and Regulatory Liquidity Requirements) comprises the information required to be disclosed under 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').

In our opinion, the accompanying financial statements, on pages 17 to 88:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Registered Bank as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

In our opinion, the supplementary information (excluding the information relating to Capital Adequacy and Regulatory Liquidity Requirements) disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the 'Supplementary Information'):

- has been prepared, in all material respects, in accordance with the guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration;
- is in accordance with the books and records of the Registered Bank in all material respects; and
- fairly states in all material respects 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 ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards 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.

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)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Registered Bank, except that partners and employees of our firm deal with the Registered Bank on normal terms within the ordinary course of trading activities of the business of 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 (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses As described in Notes 1(f) and 6, the provision for expected credit losses (ECL) has been estimated as $14.9 million as at 31 December 2021. The collective ECL is a probability-weighted estimate of the losses that are expected to occur from default events over a relevant timeframe. Using a number of inherently complex models, management applies significant judgement and estimation to incorporate both historical information and forward-looking information to determine the ECL. Further, the stressed economic environment caused by Covid-19 limits the relevance of historical information used in calibrating the ECL models and increases the uncertainty around forecast future economic scenarios. Individual ECL provisions are estimated by applying judgement as to the cash flows receivable from the recoveries of individual assets, which is inherently uncertain. We considered this a key audit matter due to the significant judgements made by management, as well as the inherently high complexity in the models used to calculate ECL. Other principal considerations for having determined that the ECL is a key audit matter include the extent of effort applied to audit the balance.	We performed the following audit procedures, amongst others: • Evaluated the systems, processes and controls in place over the critical data elements used in the ECL model, including general IT controls for key applications used by the Bank in estimating the ECL; • Assessed the Bank's significant accounting policies and ECL methodologies against the requirements of NZ IFRS 9; • Evaluated the appropriateness of the criteria used to determine when a Significant Increase in Credit Risk (SICR) has occurred; • Tested the completeness and accuracy of key inputs used in the collective provision model, including reconciling the drawn down balance of exposures in the model to source systems and reports; • For a sample of exposures, recalculated the ECL including validating key inputs against supporting documentation; • For a sample of exposures for which a 12-month ECL is recognised, reviewed the respective loan files and concluded on the appropriateness of the borrower's credit rating to assess whether, in our judgement, there was evidence of either SICR or impairment; • For loans identified as impaired, evaluated the sufficiency of the recorded provision based on expected recoveries, including assessing the reasonableness of those expected recoveries; and • Assessed the disclosures in the Disclosure Statement against the requirements of NZ IFRS 7.

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Other information	The directors are responsible on behalf of the Registered Bank for the other information. The other information comprises the information in the Disclosure Statement in accordance with Schedule 2 of the Order on pages 2 to 14 and 93 to 102 that accompanies the financial statements, supplementary information, and the audit report. Our opinion on the financial statements and supplementary information does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements and supplementary information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.
Directors' responsibilities for the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)	The directors are responsible on behalf of the Registered Bank for the preparation and fair presentation of the financial statements in accordance with Clause 24 of the Order, NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible on behalf of the Registered Bank for the preparation of supplementary information which fairly states the matters required to be disclosed under Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order and which is prepared in accordance with any guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989; any Conditions of Registration; and in accordance with the books and records of the Registered Bank. In preparing the financial statements, the directors are responsible on behalf of the Registered Bank for assessing the Registered Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Registered Bank or to cease operations, or have no realistic alternative but to do so.
Auditor's responsibilities for the audit of the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)	Our objectives are to obtain reasonable assurance about whether the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2 This description forms part of our auditor's report.

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REPORT ON THE REVIEW OF THE SUPPLEMENTARY INFORMATION RELATING TO CAPITAL ADEQUACY AND REGULATORY LIQUIDITY REQUIREMENTS

Conclusion

We have reviewed the supplementary information related to Capital Adequacy and Regulatory Liquidity Requirements on pages 80 to 88 of the Disclosure Statement for the year ended 31 December 2021. 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 attention that causes us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements is not, 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.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities 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.

We are independent of the Registered Bank in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Directors' responsibilities for the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

The directors are responsible on behalf of the Registered Bank for the preparation and fair presentation of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Reporting in accordance with Schedule 9 of the Order, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is free from material misstatement, whether due to fraud or error.

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 to Capital Adequacy and Regulatory Liquidity Requirements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements is not, in all material respects:

- prepared in accordance with the Registered Bank's Conditions of Registration; and
- disclosed in accordanced 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 (Revised) is a limited assurance engagement. We perform 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 International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements.

Restriction of use

This report is made solely to the Registered Bank's shareholder, as a body. Our audit has been undertaken so that we might state to the Registered Bank's shareholder those matters we are required to state to them in an 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 Registered Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Jason Stachurski
Partner
for Deloitte Limited
Auckland, New Zealand
29 March 2022

Appendix 2 - Deed of Guarantee

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 properly served upon the Bank if delivered to ICBC NZ at its address for the service of Notices set out in clause 9.2.

12. ASSIGNMENT

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

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