

INDUSTRIAL AND COMMERCIAL BANK OF CHINA NEW ZEALAND BANKING GROUP

Disclosure Statement

For the six months ended 30 June 2022



Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China Limited for the year ended 30 June 2022 in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

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

The financial statements of the NZ Banking Group for the six-month period ended 30 June 2022 form part of and should be read in conjunction with this Disclosure Statement.

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

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Industrial and Commercial Bank of China – NZ Banking Group Corporate Information

Address for Service

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

- (a) The registered address of ICBC is:

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

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

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

The most recently published financial statements of the Overseas Banking Group are available on ICBC's website www.icbc.com.cn.

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

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

Nature of Business

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

Limits on Material Financial Support by the Overseas Bank

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

Subordination of Claims of Creditors

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

Requirement to Hold Excess Assets over Deposit Liabilities

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

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

The 'Administrative Measures for the Liquidity Risk of Commercial Banks' issued by China Banking and Insurance Regulatory Commission in July 2018 requires the Overseas Banking Group to hold adequate high quality liquid assets in order to cover liquidity needs under stress scenarios. The requirement is based on the consolidated position of the Overseas Banking Group and any liquidity requirement of the NZ Banking Group will form part of the Overseas Banking Group's consolidated position. The liquidity of the Branch is therefore managed within the Overseas Banking Group and will be influenced by the Overseas Banking Group requirements.

Guarantee Arrangements

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

Directorate

Directors of the Overseas Bank

The following change to the composition of the Board have occurred since the publication of Overseas Bank's full year Disclosure Statement for the year ended 31 December 2021:

- Nout WELLINK resigned as Non-executive Director in March 2022.

Apart from the above, there have been no other changes in the Board since 31 December 2021.

Responsible Person

Qian HOU (being the New Zealand Chief Executive of the Overseas Bank) has been authorised in writing to sign this Disclosure Statement on behalf of each of the following directors: Siqing CHEN, Lin LIAO, Guoyu ZHENG, Jingwu WANG, Yongzhen LU, Weidong FENG, Liqun CAO, Yifang CHEN, Yang DONG, Anthony Francis NEOH, Siu Shun YANG, Si SHEN, Fred Zulu HU.

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 Limited in New Zealand

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

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

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

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

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

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

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

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

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

- (a) all amounts must relate to on-balance sheet items only, and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

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

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

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.
4. That no appointment to the position of the New Zealand Chief Executive Officer of the registered bank shall be made unless:
 - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
5. That Industrial and Commercial Bank of China Limited complies with the requirements imposed on it by the China Banking and Insurance Regulatory Commission.
6. That, with reference to the following table, each capital adequacy ratio of Industrial and Commercial Bank of China Limited must be equal to or greater than the applicable minimum requirement.

Capital adequacy ratio	Minimum requirement
Common Equity Tier 1 capital	5.0 percent
Tier 1 capital	6.0 percent
Total capital	8.0 percent

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

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

In these conditions of registration,—

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

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

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

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

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC Rating Information

The Overseas Bank had the following credit ratings applicable to its long-term senior unsecured obligations:

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's Global Ratings	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

Rating movement history

On 26 March 2022, Standard & Poor's Ratings Services affirmed the long-term and short-term issuer credit rating and maintained a stable outlook.

There have been no changes to the credit ratings or rating outlook assigned by Moody's Investors Service.

On 29 October 2019, Fitch upgraded ICBC's Short term Foreign currency bank deposits rating to F1+ from F1, reflecting the central government's 73% ownership, a long history of state support, and its status as the largest bank in China.

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

Rating Information

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

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

¹ Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, or (3) in lower end. Fitch and S&P apply plus (+) or minus (-) signs to ratings from "AA" to "CCC" to indicate relative standing within the major rating categories.

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

Other Material Matters

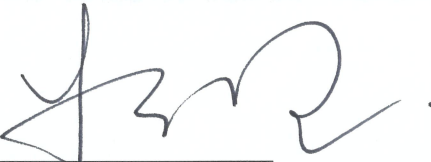
The Directors of the Overseas Bank are of the opinion that there are no other matters relating to the business or affairs of the NZ Banking Group that are not contained elsewhere in this Disclosure Statement and which would, if disclosed, materially affect the decision of a person to subscribe for debt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

Directors' and New Zealand Chief Executive Officer's Statements

Each Director of the Overseas Bank and the New Zealand Chief Executive Officer states that he or she believes, after due enquiry, that:

1. As at the date on which the Disclosure Statement is signed:
 - (a) The Disclosure Statement contains all the information that is required by the Order; and
 - (b) The Disclosure Statement is not false or misleading.
2. During the six months ended 30 June 2022:
 - (a) The Overseas Bank has complied with all conditions of registration that applied during the period;
 - (b) The Branch and ICBC NZ have systems in place to monitor and control adequately relevant members of the NZ Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems are properly applied.

This Disclosure Statement is dated 26 August 2022 and has been signed by Qian Hou as the New Zealand Chief Executive Officer and as agent authorized in writing by each director of Overseas Bank.



Qian Hou
New Zealand Chief Executive Officer

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China NZ Banking Group

Financial Statements for the six months ended 30 June 2022

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STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Unaudited 30 June 2022 6 months	Unaudited 30 June 2021 6 months	Audited 31 December 2021 12 months
Interest income*		53,369	33,467	74,965
Interest expense*		(25,567)	(12,285)	(25,988)
Net Interest Income		27,802	21,182	48,977
Net (losses)/gains on financial instruments at fair value through P&L		(8,308)	3,656	9,974
Fees and other income/(losses)	2	7,038	(4,720)	(13,642)
Total operating income		26,532	20,118	45,309
Operating expenses		(10,394)	(8,745)	(19,540)
Impairment provisioning on financial assets	3	(953)	(1,353)	(2,592)
Net profit before taxation		15,185	10,020	23,177
Taxation expense	4	(4,283)	(2,783)	(6,531)
Net profit after taxation		10,902	7,237	16,646
Other comprehensive income		-	-	-
Total comprehensive income		10,902	7,237	16,646

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

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

STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Branch Head Office Account		Other members of the NZ Banking Group		Total
		Branch Capital	Retained Earnings	Share Capital	Retained Earnings	
For the six months ended 30 June 2022 (unaudited)						
Balance at 31 December 2021		84,000	4,476	233,540	47,893	369,909
Capital injection from shareholders		-	-	-	-	-
Net profit/(loss) and other comprehensive income for the year		-	4,001	-	6,901	10,902
Total equity movement for the year		-	4,001	-	6,901	10,902
Balance at 30 June 2022		84,000	8,477	233,540	54,794	380,811
For the six months ended 30 June 2021 (unaudited)						
Balance at 31 December 2020		84,000	(644)	233,540	36,367	353,263
Capital injection from shareholders		-	-	-	-	-
Net profit/(loss) and other comprehensive income for the year		-	1,064	-	6,173	7,237
Total equity movement for the year		-	1,064	-	6,173	7,237
Balance at 30 June 2021		84,000	420	233,540	42,540	360,500
For the year ended 31 December 2021 (audited)						
Balance at 31 December 2020		84,000	(644)	233,540	36,367	353,263
Capital injection from shareholders		-	-	-	-	-
Net profit/(loss) and other comprehensive income for the year		-	5,120	-	11,526	16,646
Total equity movement for the year		-	5,120	-	11,526	16,646
Balance at 31 December 2021		84,000	4,476	233,540	47,893	369,909

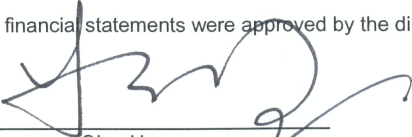
The accounting policies and other notes (1-21) form part of, and should be read in conjunction with, these Financial Statements.

STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited As at 30 June 2022	Unaudited As at 30 June 2021	Audited As at 31 December 2021
Assets				
Cash, cash equivalents and balances with central banks		216,021	410,053	289,771
Amounts due from related parties	10	62,715	872,917	207,356
Due from banks and other financial institutions		20,000	30,000	149,999
Investment securities		203,980	194,569	194,281
Derivative financial assets		3,176	2,427	2,038
Loans and advances to customers	5,9	2,740,296	2,202,959	2,568,657
Right-of-use assets		7,126	8,384	7,747
Property, plant and equipment		794	287	590
Intangible assets		-	5	2
Deferred tax assets		7,657	5,530	6,391
Other assets		10,368	6,617	8,010
Total assets		3,272,133	3,733,748	3,434,842
Liabilities				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	10	1,468,375	2,014,548	1,566,153
Derivative financial liabilities		10,269	1,852	5,129
Deposits from customers	6	592,543	502,546	600,741
Certificates of deposit	7	231,391	214,073	257,823
Subordinated loans due to related parties	8	70,000	70,000	70,000
Debt securities issued	7	482,811	546,340	536,011
Lease liabilities		7,726	8,862	8,277
Current tax payable		3,754	1,204	3,250
Deferred tax liabilities		-	228	-
Other liabilities		24,452	13,594	17,548
Total liabilities		2,891,322	3,373,248	3,064,933
Head office account				
Branch capital		84,000	84,000	84,000
Retained profit		8,477	420	4,476
NZ Banking Group's equity				
Share capital		233,540	233,540	233,540
Reserves		54,794	42,540	47,893
Total NZ Banking Group's equity		380,811	360,500	369,909
Total NZ Banking Group's equity and liabilities		3,272,133	3,733,748	3,434,842
Total interest earning and discount bearing assets	17	3,250,912	3,714,956	3,423,106
Total interest and discount bearing liabilities	17	2,790,402	3,308,843	2,960,600
Total liabilities of the Branch, net of amounts due to related parties		141,600	82,007	72,159

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

These financial statements were approved by the directors on 26 August 2022 and are signed on their behalf by:


Qian Hou
New Zealand Chief Executive Officer

STATEMENT OF CASH FLOWS

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Cash flows applied to operating activities			
Interest income	50,936	34,741	75,979
Other income/(loss)	2,731	2,766	3,829
Interest expense	(19,466)	(15,759)	(27,158)
Long-term lease payments	(724)	(760)	(1,511)
Variable lease	(4)	(7)	(12)
Personnel expenses	(6,549)	(6,006)	(13,238)
Other operating expenses`	(2,522)	(2,238)	(4,660)
Taxes paid	(5,045)	(2,410)	(5,201)
Net cash flows applied to operating activities before changes in operating assets and liabilities	19,357	10,327	28,028
Changes in operating assets and liabilities arising from cash flow movements:			
(Increase)/decrease in loans and advances to customers	(171,976)	(455,757)	(822,034)
Increase / (decrease) in deposits from customers	(8,198)	(148,251)	(50,056)
Increase/(decrease) in amounts due to related parties	(125,753)	1,364,011	992,171
Increase/(decrease) in other liabilities	14	218	(87)
(Increase)/decrease in amounts due from related parties	144,645	(754,640)	(89,076)
Increase / (decrease) in certificates of deposit	(26,432)	134,323	178,073
Net change in operating assets and liabilities	(187,700)	139,904	208,991
Net cash flows applied to operating activities	(168,343)	150,231	237,019
Cash flows applied to investing activities			
Purchase of property, plant and equipment	(311)	(172)	(548)
Purchase of intangible assets	-	-	-
Purchase of investment securities	(10,000)	2,250	2,250
Net cash flows applied to investing activities	(10,311)	2,078	1,702
Cash flows applied to financing activities			
Capital injection from shareholders	-	-	-
Increase in subordinated loans due to related parties	-	-	-
Increase/(decrease) in debt securities issued	(53,071)	23,310	13,170
Net cash flows applied to financing activities	(53,071)	23,310	13,170
Increase/(decrease) in cash and cash equivalents	(231,725)	175,619	251,891
Cash and cash equivalents at beginning of year	417,637	165,746	165,746
Cash and cash equivalents	185,912	341,365	417,637
Cash and cash equivalents at end of the period comprised:			
Cash, cash equivalents and balances with central banks	216,021	410,053	289,771
Due from banks and other institutions classified as cash equivalents	20,000	30,000	150,000
Due to central banks and other financial institutions classified as cash and cash equivalents	(1)	(1)	(1)
Amount due to related parties classified as cash and cash equivalents	(50,108)	(98,687)	(22,133)
Total cash and cash equivalents	185,912	341,365	417,637

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

STATEMENT OF CASH FLOWS (CONTINUED)

Thousands of Dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit after taxation	10,902	7,237	16,646
Non cash movements:			
Unrealised fair value adjustments	2,897	2,316	5,574
Depreciation	108	38	111
Amortisation of intangibles	2	2	5
Amortisation of Right-of-use assets	711	711	1,425
Amortisation of financial instruments	264	391	651
Increase/(decrease) in allowance for impairment losses	957	1,353	2,587
Bad debts recovery	(4)	-	5
Unrealised foreign exchange gain/(loss)	1,105	1,515	1,923
(Increase)/decrease in deferred taxation	(1,305)	(1,381)	(2,411)
Amortisation of debt securities issued	(129)	(148)	(337)
Increase/(decrease) in operating assets and liabilities	4,606	4,797	9,533
(Increase)/decrease in interest receivable	(2,248)	(778)	(2,008)
Increase/(decrease) in interest payable	6,148	(3,420)	(1,015)
(Increase)/decrease in loans and advances to customers	(171,976)	(455,757)	(822,034)
Increase/(decrease) in deposits from customers	(8,198)	(148,251)	(50,056)
Increase/(decrease) in certificates of deposit	(26,432)	134,323	178,073
Increase/(decrease) in lease liabilities	(641)	(666)	(1,328)
Increase/(decrease) in other liabilities	172	2,075	2,988
Increase/(decrease) in amounts due to related parties	(125,753)	1,364,011	992,171
(Increase)/decrease in current taxation	542	1,754	3,741
(Increase)/decrease in other assets	(110)	(454)	(616)
(Increase)/decrease in amounts due from related parties	144,645	(754,640)	(89,076)
Net cash flows from operating activities	(168,343)	150,231	237,019

The accounting policies and other notes (1-21) 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 30 June 2022 (unaudited)

	Balance at the beginning of the year	Net Cash flow	Non-cash changes		30 June 2022
			Amortisation	Foreign Exchange movement	
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	536,011	(53,071)	(129)	-	482,811
Total liabilities from financing activities	606,011	(53,071)	(129)	-	552,811

For the year ended 30 June 2021 (unaudited)

	Balance at the beginning of the year	Net Cash flow	Non-cash changes		30 June 2021
			Amortisation	Foreign Exchange movement	
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	523,178	23,310	(148)	-	546,340
Total liabilities from financing activities	593,178	23,310	(148)	-	616,340

For the year ended 31 December 2021 (audited)

	Balance at the beginning of the year	Net Cash flow	Non-cash changes		31 December 2021
			Amortisation	Foreign Exchange movement	
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

Note 1 - Accounting Policies

(1) Reporting Entity

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

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). They were approved for issue by the Board of Directors of the Overseas Bank (the "Board") on 26 August 2022.

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

(2) Basis of Preparation

These interim financial statements are for the NZ Banking Group for the six months ended 30 June 2022. They have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit oriented entities, and the New Zealand Equivalent to International Accounting Standards 34, Interim Financial Reporting (NZ IAS 34), International Accounting Standard 34 (IAS 34), and the Order, and should be read in conjunction with the NZ Banking Group's financial statements for the year ended 31 December 2021. These interim financial statements do not include all the disclosures required for full annual financial statements and are condensed financial statements in accordance with NZ IAS 34.

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss and financial assets and liabilities measured at fair value through other comprehensive income that have been measured at fair value. The carrying values of recognised assets and liabilities, that are hedged in fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

(3) Basis of Aggregation

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

(4) Presentation Currency

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

(5) Critical accounting estimates and judgments

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

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

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

- Impairment Allowance: determining inputs into the 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 ECL and fair value adjustments), are based on best estimates at that date. Although the NZ Banking Group has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. There have been no significant changes to the accounting estimates, judgments and assumptions used in preparing the financial statements compared to those applied in the preparation of the Disclosure Statement for the year ended 31 December 2021.

Note 1 - Accounting Policies (continued)

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 the first half year of 2022, however the NZ Banking Group's lending portfolio has shown limited impact from this.

The NZ Banking Group 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 30 June 2022, 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.

(6) Change in Accounting Policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2021.

The NZ Banking Group has applied, where relevant, all new or revised accounting standards and interpretations effective for the year ended 30 June 2022, that these did not have a material impact.

(7) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These immaterial reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement comparative affected is: Note 3 as at 30 June 2021.

Note 2 – Fees and Other Income

Thousands of dollars	Unaudited 30 June 2022 6 months	Unaudited 30 June 2021 6 months	Audited 31 December 2021 12 months
Banking and lending fee income	63	254	378
Payment services fee income	241	217	472
Net foreign exchange gains/(losses)	6,734	(5,191)	(14,493)
Other revenue	-	-	1
Total other income/(losses)	7,038	(4,720)	(13,642)

Note 3 - Impairment Allowance

The following tables show changes in the impairment allowances. For further information on how changes in gross carrying amounts of financial instruments have contributed to the changes in the impairment allowances set out in the table below, refer to Note 9.

Unaudited 30 June 2022

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	Amount due from related parties	Total as at 30 June 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,528	8,529	74	-	1,978	-	-	13,110
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	2	-	-	-	-	-	-	-	2
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	-	1,114	3,425	-	-	-	-	-	4,539
Balance as at 30 June 2022	3	3,642	11,954	74	-	1,978	-	-	17,651

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 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	Amount due from related parties	Total as at 30 June 2021
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,298	8,044	9	-	759	1	7	11,119
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	1	341	-	-	-	-	-	-	342
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	4	570	3,425	-	-	-	-	-	3,999
Balance as at 30 June 2021	6	3,209	11,469	9	-	759	1	7	15,460

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	Amount due from related parties	Total as at 31 December 2021
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,464	8,112	37	1	1,394	-	4	12,013
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) - specific	-	570	3,425	-	-	-	-	-	3,995
Balance as at 31 December 2021	1	3,720	11,537	37	1	1,394	-	4	16,694

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2022					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
Residential mortgage lending					
Balance at beginning of period	2,464	686	-	570	3,720
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge to statement of comprehensive income in current year	70	-	-	(148)	(78)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	2,528	-	-	1,114	3,642
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	2	-	(4)	(2)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	1	2	-	-	3
Corporate and institutional					
Balance at beginning of period	8,112	-	-	3,425	11,537
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	417	-	-	-	417
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	8,529	-	-	3,425	11,954
Investment securities					
Balance at beginning of period	37	-	-	-	37
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	37	-	-	-	37
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	74	-	-	-	74

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2022

Movement in provision for credit impairment

Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(1)	-	-	-	(1)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	-	-	-	-	-
Amounts due from related parties					
Balance at beginning of period	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	-	-	-	-	-
Charge to statement of comprehensive income in current year	(4)	-	-	-	(4)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	-	-	-	-	-
Cash and cash equivalents					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	-	-	-	-	-
Total					
Balance at beginning of period	10,619	686	-	3,995	15,300
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(recovery) to statement of comprehensive income in current year	519	2	-	(152)	369
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	11,132	2	-	4,539	15,673

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2022					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,394	-	-	-	1,394
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	584	-	-	-	584
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022*	1,978	-	-	-	1,978

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

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2022				Total
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Residential mortgage lending					
Balance at beginning of period	516,047	1,611	-	225	517,883
Net drawdown/(repayment)	18,463	-	-	(1,611)	16,852
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	533,307	-	-	1,428	534,735
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	17	-	-	-	17
Net drawdown/(repayment)	10	-	-	(4)	6
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(8)	8	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	19	8	-	-	27
Corporate and institutional					
Balance at beginning of period	2,060,804	-	-	5,211	2,066,015
Net drawdown/(repayment)	155,131	-	-	(13)	155,118
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 30 June 2022	2,215,935	-	-	5,198	2,221,133
Investment securities					
Balance at beginning of period	194,318	-	-	-	194,318
Net purchase/(disposal)	9,736	-	-	-	9,736
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 30 June 2022	204,054	-	-	-	204,054

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2022				Total
	Collective provision			Individual provision	
	Stage 1	Stage 2	Stage 3	Stage 3	
Thousands of dollars					
Due from banks and other financial institutions					
Balance at beginning of period	150,000	-	-	-	150,000
Net drawdown/(repayment)	(130,000)	-	-	-	(130,000)
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 30 June 2022	20,000	-	-	-	20,000
Amounts due from related parties					
Balance at beginning of period	207,360	-	-	-	207,360
Net drawdown/(repayment)	(144,645)	-	-	-	(144,645)
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 30 June 2022	62,715	-	-	-	62,715
Cash and cash equivalents					
Balance at beginning of period	289,771	-	-	-	289,771
Net addition/(deletion)	(73,750)	-	-	-	(73,750)
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 30 June 2022	216,021	-	-	-	216,021
Total					
Balance at beginning of period	3,418,317	1,611	-	5,436	3,425,364
Net addition/(deletion)	(165,055)	-	-	(1,628)	(166,683)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(8)	8	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	3,252,051	8	-	6,626	3,258,685

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2022				Total
	Collective provision			Individual provision	
	Stage 1	Stage 2	Stage 3	Stage 3	
Thousands of dollars					
Commitments and financial guarantee contracts					
Balance at beginning of period	864,897	-	-	-	864,897
Net increase/(decrease) facilities	270,972	-	-	-	270,972
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 30 June 2022	1,135,869	-	-	-	1,135,869

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2021					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
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	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	132	324	-	-	456
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	2,298	341	-	570	3,209
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	1	-	4	5
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	1	1	-	4	6
Corporate and institutional					
Balance at beginning of period	7,598	-	-	3,425	11,023
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	446	-	-	-	446
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	8,044	-	-	3,425	11,469
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 to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	9	-	-	-	9

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2021					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	-	-	-	-	-
Amounts due from related parties					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	7	-	-	-	7
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	7	-	-	-	7
Cash and cash equivalents					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	1	-	-	-	1
Total					
Balance at beginning of period	9,774	17	-	3,995	13,786
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	586	325	-	4	915
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	10,360	342	-	3,999	14,701

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2021					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	321	-	-	-	321
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	438	-	-	-	438
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021*	759	-	-	-	759

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

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2021				Total
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Residential mortgage lending					
Balance at beginning of period	453,468	3,675	-	545	457,688
Net drawdown/(repayment)	27,633	-	-	-	27,633
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 30 June 2021	481,101	3,675	-	545	485,321
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	61	-	-	-	61
Net drawdown/(repayment)	(34)	-	-	-	(34)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(3)	3	-	-	-
Transfer to stage 3	(5)	-	-	5	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	19	3	-	5	27
Corporate and institutional					
Balance at beginning of period	1,298,777	-	-	5,360	1,304,137
Net drawdown/(repayment)	428,171	-	-	(13)	428,158
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 30 June 2021	1,726,948	-	-	5,347	1,732,295
Investment securities					
Balance at beginning of period	197,219	-	-	-	197,219
Net purchase/(disposal)	(2,641)	-	-	-	(2,641)
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 30 June 2021	194,578	-	-	-	194,578

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2021				
	Collective provision			Individual provision	Total
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Due from banks and other financial institutions					
Balance at beginning of period	10,000	-	-	-	10,000
Net drawdown/(repayment)	20,000	-	-	-	20,000
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 30 June 2021	30,000	-	-	-	30,000
Amount due from related parties					
Balance at beginning of period	118,284	-	-	-	118,284
Net drawdown/(repayment)	754,640	-	-	-	754,640
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 30 June 2021	872,924	-	-	-	872,924
Cash and cash equivalents					
Balance at beginning of period	200,771	-	-	-	200,771
Net addition/(deletion)	209,283	-	-	-	209,283
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 30 June 2021	410,054	-	-	-	410,054
Total					
Balance at beginning of period	2,278,580	3,675	-	5,905	2,288,160
Net addition/(deletion)	1,437,052	-	-	(13)	1,437,039
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(3)	3	-	-	-
Transfer to stage 3	(5)	-	-	5	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	3,715,624	3,678	-	5,897	3,725,199

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2021				Total
	Collective provision			Individual provision	
	Stage 1	Stage 2	Stage 3	Stage 3	
Thousands of dollars					
Commitments and financial guarantee contracts					
Balance at beginning of period	530,724	-	-	-	530,724
Net increase/(decrease) facilities	294,380	-	-	-	294,380
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 30 June 2021	825,104	-	-	-	825,104

Note 3 - Impairment Allowance (continued)

Audited 31 December 2021					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
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	7,598	-	-	3,425	11,023
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	514	-	-	-	514
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	8,112	-	-	3,425	11,537
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 3 - Impairment Allowance (continued)

Audited 31 December 2021					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
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
Amounts due from related parties					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	4	-	-	-	4
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	4	-	-	-	4
Cash and cash equivalents					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	-	-	-	-	-
Total					
Balance at beginning of period	9,774	17	-	3,995	13,786
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	829	685	-	5	1,519
Bad debts written off	-	-	-	(5)	(5)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021	10,619	686	-	3,995	15,300

Note 3 - Impairment Allowance (continued)

Audited 31 December 2021					
Movement in provision for credit impairment	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Thousands of dollars					
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	321	-	-	-	321
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	1,073	-	-	-	1,073
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2021*	1,394	-	-	-	1,394

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

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2021				Total
	Collective provision			Individual provision	
	Stage 1	Stage 2	Stage 3	Stage 3	
Thousands of dollars					
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	1,298,777	-	-	5,360	1,304,137
Net drawdown/(repayment)	762,027	-	-	(149)	761,878
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	2,060,804	-	-	5,211	2,066,015
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 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2021				
	Collective provision			Individual provision	Total
	Stage 1	Stage 2	Stage 3	Stage 3	
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
Amount due from related parties					
Balance at beginning of period	118,284	-	-	-	118,284
Net drawdown/(repayment)	89,076	-	-	-	89,076
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	207,360	-	-	-	207,360
Cash and cash equivalents					
Balance at beginning of period	200,771	-	-	-	200,771
Net addition/(deletion)	89,000	-	-	-	89,000
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	289,771	-	-	-	289,771
Total					
Balance at beginning of period	2,278,580	3,675	-	5,905	2,288,160
Net addition/(deletion)	1,137,678	-	-	(469)	1,137,209
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	3,418,317	1,611	-	5,436	3,425,364

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2021				
	Collective provision			Individual provision	
	Stage 1	Stage 2	Stage 3	Stage 3	Total
Thousands of dollars					
Commitments and financial guarantee contracts					
Balance at beginning of period	530,724	-	-	-	530,724
Net increase/(decrease) facilities	334,173	-	-	-	334,173
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	864,897	-	-	-	864,897

Note 4 – Taxation

Consistent with NZ IAS 12 the NZ Banking Group has recognised tax benefits total \$7,657K as at 30 June 2022 (30 June 2021: \$5,530K, 31 December 2021: \$6,391K). The majority of the tax benefits recognised relate to the allowance for impairment losses, accelerated depreciation, and other provisions.

Thousands of dollars	Unaudited 30 June 2022 6 months	Unaudited 30 June 2021 6 months	Audited 31 December 2021 12 months
Net profit before taxation	15,185	10,020	23,177
Tax calculated at a tax rate of 28%	4,252	2,806	6,490
Over/(under) provision from prior period	-	-	-
Temporary differences not recognised	31	(23)	-
Utilisation of tax losses previously unrecognised	-	-	-
Other permanent differences	-	-	41
Taxation charge/(benefit) as per the statement of comprehensive income	4,283	2,783	6,531
Represented by:			
Current tax	5,588	4,164	8,942
Deferred tax	(1,305)	(1,381)	(2,411)
Taxation charge/(benefit) as per the statement of comprehensive income	4,283	2,783	6,531

Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Residential mortgage loans	534,735	485,321	517,883
Corporate exposures	2,221,133	1,732,295	2,066,015
Credit Cards	27	27	17
Other exposures	-	-	-
Allowance for impairment losses	(15,599)	(14,684)	(15,258)
Total net loans and receivables	2,740,296	2,202,959	2,568,657
Current	352,117	354,381	439,801
Non-Current	2,388,179	1,848,578	2,128,856

Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Demand deposits not bearing interest	62,445	47,527	78,406
Demand deposits bearing interest	15,486	28,910	28,390
Term deposits	514,612	426,109	493,945
Total deposits	592,543	502,546	600,741
Current	587,612	498,973	590,217
Non-Current	4,931	3,573	10,524

Note 7 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Certificates of deposit (CDs)	231,391	214,073	257,823
Other debt securities	482,811	546,340	536,011
Total debt securities issued	714,202	760,413	793,834
Current	239,423	452,481	493,493
Non-Current	474,779	307,932	300,341

Note 8 – Subordinated Loans due to Related Parties

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Subordinated loans due to related parties	70,000	70,000	70,000
Total debt securities issued	70,000	70,000	70,000
Current	70,000	-	35,000
Non-Current	-	70,000	35,000

The subordinated loan due to related parties of NZ\$70m as at 30 June 2022 are unsecured debts, and will be payable before end of 30 June 2023.

Note 9 – Asset Quality

The NZ Banking Group has disclosed certain component's 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 NZ Banking Group 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.

Unaudited 30 June 2022	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	19	533,307	2,215,935	2,749,261
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	8	-	-	8
At least 90 days past due	-	-	-	-
Total past due assets not impaired	8	-	-	8
Individually impaired assets				
Balance at beginning of the period	-	225	5,211	5,436
Additions	-	1,203	-	1,203
Amount Recovered	4	-	-	4
Amounts written off	-	-	-	-
Deletions	(4)	-	(13)	(17)
Total individually impaired assets	-	1,428	5,198	6,626
Total gross loans and advances	27	534,735	2,221,133	2,755,895
Individually assessed provisions				
Balance at beginning of the period	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	544	-	544
Reversals of previously recognised impairment losses	(4)	-	-	(4)
Amounts recovered	4	-	-	4
Amounts written off	-	-	-	-
Balance at end of the period	-	1,114	3,425	4,539
Collectively assessed provisions				
Balance at beginning of the period	1	3,150	8,112	11,263
Charge/(credit) to the statement of comprehensive income	2	(622)	417	(203)
Other movements	-	-	-	-
Balance at end of the period	3	2,528	8,529	11,060
Total provisions for impairment losses	3	3,642	11,954	15,599
Total net loans and advances	24	531,093	2,209,179	2,740,296

Note 9 – Asset Quality (continued)

Unaudited 30 June 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	12	484,773	1,726,949	2,211,734
Past due assets not impaired				
Less than 30 days past due	7	3	-	10
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	4	-	-	4
At least 90 days past due	-	-	-	-
Total past due assets not impaired	11	3	-	14
Individually impaired assets				
Balance at beginning of the period	-	545	5,359	5,904
Additions	4	-	-	4
Amount Recovered	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	(13)	(13)
Total individually impaired assets	4	545	5,346	5,895
Total gross loans and advances	27	485,321	1,732,295	2,217,643
Individually assessed provisions				
Balance at beginning of the period	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	4	-	-	4
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the period	4	570	3,425	3,999
Collectively assessed provisions				
Balance at beginning of the period	1	2,183	7,598	9,782
Charge/(credit) to the statement of comprehensive income	1	456	446	903
Other movements	-	-	-	-
Balance at end of the period	2	2,639	8,044	10,685
Total provisions for impairment losses	6	3,209	11,469	14,684
Total net loans and advances	21	482,112	1,720,826	2,202,959

Note 9 – Asset Quality (continued)

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	2,060,804	2,578,465
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
Amount Recovered	-	-	-	-
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	2,066,015	2,583,915
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	7,598	9,782
Charge/(credit) to the statement of comprehensive income	-	967	514	1,481
Other movements	-	-	-	-
Balance at end of the year	1	3,150	8,112	11,263
Total provisions for impairment losses	1	3,720	11,537	15,258
Total net loans and advances	16	514,163	2,054,478	2,568,657

The NZ Banking Group does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 30 June 2022 (30 June 2021: nil, 31 December 2021: nil). Therefore, the NZ Banking Group does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were \$1,131M as at 30 June 2022 (30 June 2021: \$825M, 31 December 2021: \$865M).

There has been \$6K interest revenue foregone on individually impaired or greater than 90 days past due assets during the period ended 30 June 2022 (30 June 2021: \$13K, 31 December 2021: \$18K interest revenue). The NZ Banking Group is wholly owned by the Industrial and Commercial Bank of China Limited, a company incorporated in China. No related party debts have been written off or forgiven during the period.

Note 10 – Balances with Related Entity

A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Amounts due from ultimate parent	62,715	872,917	207,356
Amount due from controlled entities of ultimate parent	-	-	-
Total amount due from related entities	62,715	872,917	207,356
Current	62,715	872,917	207,356
Non-Current	-	-	-
Amounts due to ultimate parent	1,468,141	2,013,984	1,565,757
Amount due to controlled entities of ultimate parent	234	564	396
Total amount due to related entities	1,468,375	2,014,548	1,566,153
Current	453,375	1,648,987	791,153
Non-Current	1,015,000	365,561	775,000

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2022 was \$8M (30 June 2021: \$28M, 31 December 2021: \$30M). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

2. ICBC Group, from time to time, transfers payments through the ICBC NZ vostro account. The balance of ICBC NZ Vostro account was \$50M as at 30 June 2022 (30 June 2021: \$99M, 31 December 2021: \$22M).

3. ICBC NZ has issued NZ\$70m 5-years subordinated loan from ICBC Head Office (Note 8), the accrued interest of subordinated loan was \$453K as at 30 June 2022 (30 June 2021: \$194K, 31 December 2021: \$310K).

B. Related party transactions

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Interest income on amount due from related entities			
Ultimate parent	498	1,232	2,350
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	498	1,232	2,350
Interest expense on amount due to related entities			
Ultimate parent	12,252	3,316	8,489
Subsidiaries of ultimate parent	2	-	-
Total interest expense on amount due to related entities	12,254	3,316	8,489
Other operating income			
Gain/(loss) on derivative contracts with ultimate parent	-	(632)	(691)
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	(132)	(251)	(482)
Other income	-	-	-
Total other operating income	(132)	(883)	(1,173)
Other operating expense			
Other operating expense paid to ultimate parent	91	-	-

Interest payable to parent as at 30 June 2022 was \$6,663K (30 June 2021: \$800K, 31 December 2021: \$2,258K), and interest payable to subsidiaries of the ultimate parent was \$2K (30 June 2021: nil, 31 December 2021: nil). This is included in interest payable balance and interest paid expense.

Interest receivable from parent as at 30 June 2022 was nil (30 June 2021: nil, 31 December 2021: nil). This is included in interest receivable balance and interest income.

Parent includes ICBC Head Office and other branches.

Note 10 – Balances with Related Entity (continued)

Overseas Bank includes ICBC Head Office and other branches.

There are no loans guaranteed by related parties as at 30 June 2022 (30 June 2021: nil, 31 December 2021: nil).

C. Key Management Personnel Compensation

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Salaries and other short-term benefits*	851	864	2,160
Other benefits	-	-	-
Total key management compensation	851	864	2,160

* Key management personnel compensation was incurred and paid by ICBC NZ, who employed all staff.

D. Guarantees

The NZ Banking Group's ultimate parent company is the Industrial and Commercial Bank of China Limited, a Chinese incorporated bank (ICBC). ICBC is subject to regulatory oversight by the China Banking and Insurance Regulatory Commission (CBIRC) under its rules and guidelines.

All the obligations of ICBC NZ are guaranteed by ICBC. Subject as noted below under the heading "Guarantee arrangements", 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.

Due to a new policy implemented by the China Banking and Insurance Regulatory Commission ("CBIRC"), which will prevent ICBC from guaranteeing ICBC NZ, from 1 March 2023 ICBC NZ will no longer have the benefit of this parent guarantee unless an exemption has been obtained. The Bank is currently in the process of applying for an exemption from CBIRC.

As at the date of signing this disclosure statement, ICBC has the following credit rating applicable to its long-term senior unsecured obligations:

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's Global Ratings	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

ICBC guarantees due payment of all obligations of ICBC NZ to the ICBC NZ's depositors and other creditors.

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



Note 11 – Concentration of Credit Risk

The following table breaks down the NZ Banking Group's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows.

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Government	243,603	429,177	311,387
Finance (including banks)	300,316	1,114,229	557,263
Households	535,767	486,105	518,766
Transport and storage	70,008	41,638	69,212
Communications	27,328	27,285	27,287
Accommodation and food service	49,589	50,236	-
Construction	152,058	57,941	162,375
Property services	1,012,574	920,615	920,968
Agriculture	4,951	5,300	4,901
Forestry, fishing and mining	64,805	87,856	75,369
Health and community services	205,603	157,984	192,062
Retail and wholesale trade	60,305	60,136	60,175
Manufacturing	264,644	219,956	260,720
Education	60,036	-	3,006
Administration and support services	-	-	50,236
Electricity, gas and water	175,182	75,018	195,096
Other Industries	44,671	-	25,696
Less: allowance for impairment provisioning	(15,672)	(14,701)	(15,300)
Total financial assets	3,255,768	3,718,775	3,419,219
Less: non-interest earning financial assets	(4,856)	(3,819)	3,887
Total interest earning and discount bearing financial assets	3,250,912	3,714,956	3,423,106

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

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
New Zealand	2,992,242	2,505,395	3,012,178
Overseas	263,526	1,213,380	407,041
Total financial assets	3,255,768	3,718,775	3,419,219

Note 11 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Loans and advances to customers	2,740,296	2,202,959	2,568,657
Derivative financial instruments	-	1,443	130
Trade and Other Receivables	-	-	-
Other financial assets	8,185	3,765	5,683
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	2,748,481	2,208,167	2,574,470
Cash and cash equivalents	216,021	410,053	289,771
Amounts due from related parties	62,715	872,917	207,356
Due from other financial institutions	20,000	30,000	149,999
Investment securities	203,980	194,569	194,281
Derivative financial instruments	3,176	984	1,908
Loans and advances to customers	-	-	-
Tax Receivable	-	-	-
Other financial assets	1,395	2,085	1,434
Total on Balance Sheet Credit Exposures	3,255,768	3,718,775	3,419,219
Off Balance Sheet Exposures	1,135,869	825,104	864,897
Total Off Balance Sheet Credit Exposures	1,135,869	825,104	864,897

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

As at 30 June 2022, 48.88% of the NZ Banking Group's mortgage portfolio is owner-occupied residential properties (30 June 2021: 51.48%, 31 December 2021: 50.57%).

As at the reporting date, of the drawn balances on credit facilities with undrawn commitments, there are none that are classified as individually impaired, or balances under administration (30 June 2021: nil, 31 December 2021: nil).

Note 12 – Concentration of Funding

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

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
<u>New Zealand</u>			
Transport and storage	42,749	50,242	51,304
Financing investment and insurance	707,783	697,279	745,799
Electricity, gas and water	312	80	27
Food and other manufacturing	1,666	830	1,897
Construction	11,020	24,887	27,620
Communication	580	243	362
Government, local authorities and services	53,598	39,384	114,211
Agriculture	12	1	8
Forestry	1,423	2,007	558
Health and community services	62	23	76
Property and business services	32,820	16,133	18,109
Education	42,601	35,467	17,371
Retail and wholesale trade	2,395	1,774	17,088
Accommodation and food services	1,248	-	1,251
Other	30,125	18,531	29,484
Households	73,845	57,812	61,939
<u>Overseas</u>			
Amounts due to related parties	1,545,962	2,086,391	1,640,196
Financing investment and insurance (not including ICBC group)	255,057	263,815	259,581
Households	83,331	74,863	73,921
Other deposits	936	968	847
Total financial liabilities	2,887,525	3,371,789	3,061,649
Less: non-interest bearing financial liabilities	(97,123)	(62,946)	(101,049)
Total interest and discount bearing liabilities	2,790,402	3,308,843	2,960,600

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

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Deposits from customers	592,543	502,546	600,741
Registered Banks	1	1	1
Derivative financial liabilities	10,269	1,852	5,129
Certificates of deposit	231,391	214,073	257,823
Subordinated loans due to related parties	70,000	70,000	70,000
Debts securities issued	482,811	546,340	536,011
Related Parties	1,468,375	2,014,548	1,566,153
Lease liabilities	7,726	8,862	8,277
Other	24,409	13,567	17,514
Total financial liabilities	2,887,525	3,371,789	3,061,649

Note 13 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Performance/financial guarantees issued on behalf of customers	4,608	-	-
Total contingent liabilities	4,608	-	-
Undrawn Commitments	1,131,261	825,104	864,897

Note 14 – Subsequent Events after Balance Sheet Date

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

Note 15 – Fair Value of Financial Instruments

Fair value Assumptions

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

Fair Value Managements

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 15 – Fair Value of Financial Instruments (continued)

Financial assets and liabilities measured at fair value

Unaudited 30 June 2022		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	216,021	-	216,021	-	216,021
Amounts due from related parties	62,715	-	62,715	-	62,715
Due from banks and other financial institutions	20,000	-	20,000	-	20,000
Investment securities	203,980	195,839	-	-	195,839
Derivative financial assets	3,176	-	3,176	-	3,176
Loans and advances to customers	2,740,296	-	2,736,986	-	2,736,986
Other financial assets	9,580	-	9,580	-	9,580
Total financial assets	3,255,768	195,839	3,048,478	-	3,244,317
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	1,468,375	-	1,465,703	-	1,465,703
Derivative financial liability	10,269	-	10,269	-	10,269
Deposits from customers	592,543	-	592,438	-	592,438
Certificates of deposit	231,391	-	231,284	-	231,284
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	482,811	-	480,667	-	480,667
Lease liabilities	7,726	-	7,726	-	7,726
Other financial liabilities	24,409	-	24,409	-	24,409
Total financial liabilities	2,887,525	-	2,882,497	-	2,882,497
Unaudited 30 June 2021					
		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	410,053	-	410,053	-	410,053
Amounts due from related parties	872,917	-	872,853	-	872,853
Due from banks and other financial institutions	30,000	-	30,000	-	30,000
Investment securities	194,569	200,523	-	-	200,523
Derivative financial assets	2,427	-	2,427	-	2,427
Loans and advances to customers	2,202,959	-	2,205,920	-	2,205,920
Other financial assets	5,850	-	5,850	-	5,850
Total financial assets	3,718,775	200,523	3,527,103	-	3,727,626
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	2,014,548	-	2,014,362	-	2,014,362
Derivative financial liability	1,852	-	1,852	-	1,852
Deposits from customers	502,546	-	502,737	-	502,737
Certificates of deposit	214,073	-	213,987	-	213,987
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	546,340	-	550,430	-	550,430
Lease liabilities	8,862	-	8,862	-	8,862
Other financial liabilities	13,567	-	13,567	-	13,567
Total financial liabilities	3,371,789	-	3,375,798	-	3,375,798

Note 15 – Fair Value of Financial Instruments (continued)

Audited 31 December 2021		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	289,771	-	289,771	-	289,771
Amounts due from related parties	207,356	-	207,356	-	207,356
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	2,568,657	-	2,566,108	-	2,566,108
Other financial assets	7,117	-	7,117	-	7,117
Total financial assets	3,419,219	192,933	3,222,389	-	3,415,322
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	1,566,153	-	1,568,002	-	1,568,002
Derivative financial liability	5,129	-	5,129	-	5,129
Deposits from customers	600,741	-	600,644	-	600,644
Certificates of deposit	257,823	-	257,812	-	257,812
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	17,514	-	17,514	-	17,514
Total financial liabilities	3,061,649	-	3,062,616	-	3,062,616

Note 16 – Liquidity Risk

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

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

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

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

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

Notes to and Forming Part of the Financial Statements
for the six months ended 30 June 2022

Note 16 – Liquidity Risk (continued)

Unaudited 30 June 2022	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	50,144	153,428	282,497	1,063,608	-	1,549,677
Deposits from customers	80,533	274,121	240,953	5,251	-	600,858
Certificates of deposit	-	135,000	100,000	-	-	235,000
Subordinated loans due to related parties	-	398	71,020	-	-	71,418
Debt securities issued	-	10,848	12,316	494,551	-	517,715
Long-term lease liabilities	-	381	1,163	5,214	1,316	8,074
Other financial liabilities	-	112	7,016	-	-	7,128
Total financial liabilities	130,678	574,288	714,965	1,568,624	1,316	2,989,871
Derivative cash flows						
Inflows from derivatives	-	111,281	20,895	7,108	-	139,284
Outflows from derivatives	-	(113,712)	(21,640)	(8,649)	-	(144,001)
Total	-	(2,431)	(745)	(1,541)	-	(4,717)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	1,131,261	-	-	-	-	1,131,261
Total	1,131,261	-	-	-	-	1,131,261

Unaudited 30 June 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	99,100	828,914	727,600	369,404	-	2,025,018
Deposits from customers	79,053	213,867	209,959	3,862	-	506,741
Certificates of deposit	-	160,000	55,000	-	-	215,000
Subordinated loans due to related parties	-	193	595	70,586	-	71,374
Debt securities issued	-	11,773	234,513	316,892	-	563,178
Long-term lease liabilities	-	376	1,142	5,651	2,305	9,474
Other financial liabilities	-	90	9,074	-	-	9,164
Total financial liabilities	178,154	1,215,213	1,237,883	766,395	2,305	3,399,950
Derivative cash flows						
Inflows from derivatives	-	78,561	3,598	8,473	-	90,632
Outflows from derivatives	-	(79,166)	(2,239)	(6,550)	-	(87,955)
Total	-	(605)	1,359	1,923	-	2,677
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	825,104	-	-	-	-	825,104
Total	825,104	-	-	-	-	825,104

Note 16 – Liquidity Risk (continued)

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	22,133	490,826	292,019	797,169	-	1,602,147
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	108,795	314,758	171,088	11,017	-	605,658
Certificates of deposit	-	145,000	115,000	-	-	260,000
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	10,487	-	-	10,707
Total financial liabilities	130,929	959,652	861,131	1,157,028	1,813	3,110,553
Derivative cash flows						
Inflows from derivatives	-	288,426	3,885	7,396	-	299,707
Outflows from derivatives	-	(289,682)	(2,955)	(6,819)	-	(299,456)
Total	-	(1,256)	930	577	-	251
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	864,897	-	-	-	-	864,897
Total	864,897	-	-	-	-	864,897

Liquidity portfolio management

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Cash, cash equivalents and balances with central banks	216,021	410,053	289,771
Due from banks and other financial institutions	20,000	30,000	149,999
Financial securities	203,980	194,569	194,281
Total liquidity portfolio	440,001	634,622	634,051

Note 17 – Interest Rate Risk

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

1. Regularly monitoring the macroeconomic factors that may have impact on the benchmark interest rates;
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 NZ Banking Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The NZ Banking Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

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

Unaudited 30 June 2022	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	7,932	208,089	-	-	-	-	216,021
Amounts due from related parties	-	49,071	13,644	-	-	-	62,715
Due from banks and other financial institutions	-	20,000	-	-	-	-	20,000
Investment securities	(74)*	9,000	6,043	15,374	46,025	127,612	203,980
Derivative financial assets	3,176	-	-	-	-	-	3,176
Loans and advances to customers	(15,599)*	2,294,122	75,274	236,747	121,509	28,243	2,740,296
Other financial assets	9,421	-	-	-	-	159	9,580
Total financial Assets	4,856	2,580,282	94,961	252,121	167,534	156,014	3,255,768
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	753,375	510,000	105,000	100,000	-	1,468,375
Derivative financial liability	10,269	-	-	-	-	-	10,269
Deposits from customers	62,445	290,392	113,503	121,272	4,565	366	592,543
Certificates of deposit	-	134,051	48,942	48,398	-	-	231,391
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	382,441	-	432	99,938	-	482,811
Lease liabilities	-	-	-	-	36	7,690	7,726
Other financial liabilities	24,409	-	-	-	-	-	24,409
Total financial liabilities	97,123	1,595,260	707,445	275,102	204,539	8,056	2,887,525
On-balance sheet gap	(92,267)	985,022	(612,484)	(22,981)	(37,005)	147,958	368,243
Net derivative notional principals	-	(100,000)	-	-	100,000	-	-
Net effective interest rate gap	(92,267)	885,022	(612,484)	(22,981)	62,995	147,958	368,243

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

Note 17 – Interest Rate Risk (continued)

Unaudited 30 June 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	10,402	399,651	-	-	-	-	410,053
Amounts due from related parties	(7)	385,070	313,893	173,962	-	-	872,918
Due from banks and other financial institutions	-	30,000	-	-	-	-	30,000
Investment securities	(9)*	9,000	-	-	21,576	164,002	194,569
Derivative financial assets	2,427	-	-	-	-	-	2,427
Loans and advances to customers	(14,684)*	1,768,674	140,040	227,696	78,598	2,635	2,202,959
Other financial assets	5,690	-	-	-	-	159	5,849
Total financial Assets	3,819	2,592,395	453,933	401,658	100,174	166,796	3,718,775
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	1,175,967	658,581	180,000	-	-	2,014,548
Derivative financial liability	1,852	-	-	-	-	-	1,852
Deposits from customers	47,527	244,186	108,237	99,023	2,652	921	502,546
Certificates of deposit	-	159,550	-	54,523	-	-	214,073
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	430,494	-	7,913	8,032	99,901	546,340
Lease liabilities	-	-	7	16	-	8,839	8,862
Other financial liabilities	13,567	-	-	-	-	-	13,567
Total financial liabilities	62,946	2,045,198	801,825	341,475	10,684	109,661	3,371,789
On-balance sheet gap	(59,127)	547,197	(347,892)	60,183	89,490	57,135	346,986
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(59,127)	447,197	(347,892)	60,183	89,490	157,135	346,986

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

Note 17 – Interest Rate Risk (continued)

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	287,354	-	-	-	-	289,771
Amounts due from related parties	(4)	35,308	172,052	-	-	-	207,356
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	(15,258)*	2,085,296	205,310	136,894	130,721	25,694	2,568,657
Other financial assets	6,958	-	-	-	-	159	7,117
Total financial Assets	(3,887)	2,566,958	377,362	142,997	166,138	169,651	3,419,219
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	766,153	600,000	100,000	-	100,000	1,566,153
Derivative financial liability	5,129	-	-	-	-	-	5,129
Deposits from customers	78,406	363,626	111,758	36,428	10,360	163	600,741
Certificates of deposit	-	144,359	64,521	48,943	-	-	257,823
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	17,514	-	-	-	-	-	17,514
Total financial liabilities	101,049	1,735,319	812,992	192,971	10,792	208,526	3,061,649
On-balance sheet gap	(104,936)	831,639	(435,630)	(49,974)	155,346	(38,875)	357,570
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(104,936)	731,639	(435,630)	(49,974)	155,346	61,125	357,570

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

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

As at balance date the NZ Banking Group was not involved in:

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

Note 19 – Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the NZ Banking Group has become exposed since 31 December 2021.

Note 20 – Capital Adequacy

(a) ICBC NZ capital adequacy requirements

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

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

The 'Banking Group' means ICBC NZ and its subsidiaries. As at the date of this disclosure statement, ICBC NZ does not have any subsidiaries and is the only member of the Banking Group.

For the six months ended 30 June 2022, ICBC NZ has complied in full with its regulatory and internal capital adequacy requirements.

(b) Overseas Banking Group capital adequacy requirements

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

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

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

The Overseas Bank and the Overseas Banking Group each met the capital requirements imposed on them by the CBIRC as at 31 March 2022, the latest reporting date.

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

	31 March 2022	31 March 2021	31 December 2021
Overseas Banking Group			
Common Equity Tier 1 Capital Ratio	13.43%	13.29%	13.31%
Tier 1 Capital Ratio	15.04%	14.36%	14.94%
Total Capital Ratio	18.25%	17.01%	18.02%
Overseas Bank			
Common Equity Tier 1 Capital Ratio	13.43%	13.21%	13.29%
Tier 1 Capital Ratio	15.07%	14.28%	14.97%
Total Qualifying Capital Ratio	18.55%	17.11%	18.30%

Note 20 – Capital Adequacy (continued)

(c) Additional mortgage information

Residential mortgages by loan-to-valuation ratio

30 June 2022

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	531,093	-	-	531,093

30 June 2021

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	482,112	-	-	482,112

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

Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2022	30 June 2021	31 December 2021
Residential mortgage loans (as disclosed in Note 5)			
On balance sheet exposures			
Residential – owner occupied	261,356	249,830	261,883
Residential - investment	273,379	235,491	256,000
Residential – corporate lending	-	-	-
Provisions for impairment losses on loans and advances	(3,642)	(3,209)	(3,720)
Residential mortgages by loan-to-valuation ratio	531,093	482,112	514,163
Off balance sheet exposures	-	-	-
Total	531,093	482,112	514,163

(d) Market Risk

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.

30 June 2022

Thousands of dollars	End-period capital charges		Peak end-of-day capital charges	
	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Interest rate risk	57,850	4,628	98,388	7,871
Foreign currency risk	11,488	919	12,763	1,021
Equity risk	-	-	-	-
Total capital requirements	69,338	5,547	111,151	8,892

Note 20 – Capital Adequacy (continued)

30 June 2021	End-period capital charges		Peak end-of-day capital charges		
	Thousands of dollars	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Interest rate risk		101,450	8,116	137,563	11,005
Foreign currency risk		6,525	522	79,638	6,371
Equity risk		-	-	-	-
Total capital requirements		107,975	8,638	217,201	17,376

31 December 2021	End-period capital charges		Peak end-to-day capital charges		
	Thousands of dollars	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Interest rate risk		74,550	5,964	108,638	8,691
Foreign currency risk		8,763	701	14,163	1,133
Equity risk		-	-	-	-
Total capital requirements		83,313	6,665	122,801	9,824

Note 21 – Other information on the Overseas Banking Group

As at 31 March 2022

Profitability

Net profit after tax for the 3 month period (RMB millions)	91,129
Net profit after tax for the previous 12 month period as a percentage of average total assets	1.00%

Size

Total assets (RMB millions)	37,296,465
Percentage change in total assets over the previous 12 month period	8.52%

As at 31 December 2021

Asset quality

Total gross individually impaired assets (RMB millions)	293,916
Total individually impaired assets as a percentage of total assets	0.84%
Total individually assessed provisions (RMB millions)	226,234
Total individually assessed provisions as a percentage of total gross individually impaired assets	76.97%
Total collective provision (RMB millions)	417,000

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA NEW ZEALAND BANKING GROUP

Conclusion

We have reviewed pages 10 to 57 of the Disclosure Statement of Industrial and Commercial Bank of China New Zealand Banking Group (the 'Banking Group') which comprises the consolidated interim financial statements of the Banking Group and the supplementary information required to be disclosed under Schedules 5, 7, 9, 12 and 14 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order'). The Banking Group comprises the Industrial and Commercial Bank of China Limited, Auckland Branch and Industrial and Commercial Bank of China (New Zealand) Limited.

The consolidated interim financial statements comprise the consolidated statement of financial position of the Banking Group as at 30 June 2022, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that:

- the consolidated interim financial statements on pages 10 to 57 (excluding the supplementary information) have not been prepared and do not present fairly, in all material respects, the financial position of the Banking Group as at 30 June 2022 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*;
- the supplementary information disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order does not fairly state the matters to which it relates in accordance with those Schedules; and
- the supplementary information disclosed on pages 55 to 57 relating to credit and market risk exposures and capital adequacy as required by Schedule 9 of the Order is not, in all material respects, 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 Interim Financial Statements* section of our report.

We are independent of the Group 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.

Other than in our capacity as auditor we have no relationship with or interests in Banking Group, except those partners and employee of our firm deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group.

Directors' responsibilities for the interim financial statements

The Directors are responsible on behalf of the Banking Group for the preparation and fair presentation of the consolidated interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the preparation and presentation of the supplementary information which fairly states the matters required to be disclosed under Schedules 3, 5, 7, 9, 12 and 14 of the Order.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements and the supplementary information 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 consolidated interim financial statements presented by the Directors (excluding the supplementary information), taken as a whole, are not prepared and do not present fairly the matters to which they relate, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*;
- the supplementary information presented by the Directors (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order; and
- the supplementary information presented by the Directors related to credit and market risk exposures and capital adequacy is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

A review of the consolidated interim financial statements and the supplementary information 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 consolidated interim financial statements or the supplementary information.

Restriction on use

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

Deloitte Limited

Bindi Shah

Partner

for Deloitte Limited

Auckland, New Zealand

26 August 2022

This review report relates to the unaudited interim financial statements of Disclosure Statement of Industrial and Commercial Bank of China New Zealand Banking Group (the 'Banking Group') for the 6 months ended date 30 June 2022 included on Banking Group's website. The Banking Group's Board of Directors is responsible for the maintenance and integrity of the Banking group's website. We have not been engaged to report on the integrity of the Banking Group's website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements since they were initially presented on the website. The review report refers only to the unaudited interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited interim financial statements and related review report dated 26 August 2022 to confirm the information included in the unaudited interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.