INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

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 (New Zealand) Limited for the six months ended 30 June 2022 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”).

In this Disclosure Statement, unless the context otherwise requires:

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

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

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

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

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

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

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

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

Contents

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

Address for Service

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

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

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

Nature of Business

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

Details of Ultimate Parent Bank and Ultimate Holding Company

(a) Ultimate Parent Bank

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

The registered address of ICBC is:

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

(b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

(c) Annual Report of ICBC

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

(d) Summary on restrictions of supporting the Bank

Subject as noted below under the heading “Guarantee Arrangement”, there are no legislative, regulatory or other restrictions of a legally enforceable nature in China that may materially inhibit the legal ability of ICBC to provide material financial support to the Bank.

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

The Bank is a wholly-owned subsidiary of ICBC.

Subordination of Claims of Creditors

Priority of claims in the event of liquidation

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

Guarantee

Guarantee arrangements

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

A copy of the guarantee of the Bank’s indebtedness given by ICBC is provided in the Bank’s Disclosure Statement for the period ended 31 December 2021. A copy of the Disclosure Statement can be obtained from the Bank’s website www.icbcnz.com.

There has been no change in the terms of the guarantee since the date of signing of the year-end Disclosure Statement.

Due to a new policy implemented by the China Banking and Insurance Regulatory Commission ("CBIRC"), which will prevent ICBC from guaranteeing the Bank, from 1 March 2023 the Bank 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.

Details of the guarantor (Parent)

(a) The guarantor is ICBC. ICBC is the Bank's Ultimate Parent Bank and Ultimate Holding Company.

The address for service of ICBC is:

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

(b) Credit Rating

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

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

(c) 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 has not been any Standard & Poor’s Credit and Moody’s Credit rating movement in the last 3 years.

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

Details of the guaranteed obligations (Parent)

ICBC fully guarantees due payment of all indebtedness of the Bank to the Bank's depositors and other creditors. Due to a new policy implemented by the China Banking and Insurance Regulatory Commission ("CBIRC"), which will prevent ICBC from guaranteeing the Bank, from 1 March 2023 the Bank 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.

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

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

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

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

Directors

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

The Board comprises:
- Donald Thomas Brash, Chairman, Independent Director
- Martin Philipsen, Independent Director
- John Glenn Dalzell, Independent Director
- Qian Hou, Executive Director
- Mei Tao, Non-Executive Director
- Wei Luo, Non-Executive Director

There have been no changes in the composition of the board since the date of signing of the year-end Disclosure Statement.

Auditor

The name and address of the auditor whose independent auditor’s review report is referred to in this Disclosure Statement is:

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

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

These Conditions of Registration (COR) apply on and after 1 January 2022. The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

(a) the Total capital ratio of the banking group is not less than 8%;
(b) the Tier 1 capital ratio of the banking group is not less than 6%;
(c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;
(d) the Total capital of the banking group is not less than $30 million;

For the purposes of this condition of registration, —

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

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

1A. That—

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

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

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

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

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

Banking group's PCB ratio	Percentage limit to distributions of the bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	**0%**	**Stage 3**
>0.5 – 1%	**30%**	**Stage 2**
>1 – 2%	**40%**	**Stage 1**
>2 – 2.5%	**50%**	**None**

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

For the purposes of this condition of registration,—

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

1D. That:

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled “Connected Exposures Policy” (BS8) dated November 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13A) dated May 2021 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated May 2021.

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

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

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

   For the purposes of this condition,—

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

"SPV" means a person—

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

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

14. That—

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

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

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

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

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

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

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

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

15. That, for a loan-to-valuation measurement period ending on or after 31 October 2021,the total of the bank's qualifying new mortgage lending amount in respect of propertyinvestment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-tovaluation measurement period.

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

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

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

In these conditions of registration,—

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

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

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

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

In conditions of registration 15 to 18,—

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

“loan-to-valuation measurement period” means a period of six calendar months ending on the last day of the sixth calendar month.

Changes in Condition of Registration:

The Bank’s condition of registration has been amended such that with effect from 1 January 2022:

- The normalisation of the minimum requirement for the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC NZ Rating Information

On 10 January 2022, S&P Global Ratings affirmed its 'A' long-term and 'A-1' short-term issuer credit ratings on ICBC NZ. The outlook on the long-term rating is stable.

S&P Global Ratings also affirmed the issue ratings on debt issued or guaranteed by ICBC NZ.

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

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

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

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

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

Directors' Statements

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

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

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

2. During the six months ended 30 June 2022:

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

This Disclosure Statement is dated 26 August 2022 and has been signed by Qian Hou and Donald Thomas Brash as the responsible persons for and on behalf of all the Directors (by Directors' resolution):

Qian Hou **Executive Director**	Donald Thomas Brash **Chairman/Independent Director**

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the six months ended 30 June 2022

Contents

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*		34,504	27,583	57,071
Interest expense*		(17,770)	(10,914)	(22,401)
Net interest income		**16,734**	**16,669**	**34,670**
Net (losses)/gains on financial instruments at fair value through P&L		(9,494)	3,656	787
Fees and other income/(losses)	2	11,532	(3,116)	1,046
Total operating income		**18,772**	**17,209**	**36,503**
Operating expense		(10,195)	(8,555)	(19,225)
Impairment provisioning on financial assets	3	993	(110)	(1,214)
Net profit before taxation		**9,570**	**8,544**	**16,064**
Taxation expense	4	(2,669)	(2,371)	(4,538)
Net profit after taxation		**6,901**	**6,173**	**11,526**
Other comprehensive income		-	-	-
Total comprehensive income		**6,901**	**6,173**	**11,526**

*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	Share Capital	Retained Earnings	Total
For the six months ended 30 June 2022 (unaudited)				
Balance at the 31 December 2021		233,540	47,893	281,433
Capital injection from shareholders		-	-	-
Net profit/(loss) and other comprehensive income for the period		-	6,901	6,901
Total equity movement for the period		-	6,901	6,901
Balance at 30 June 2022		233,540	54,794	288,334
For the six months ended 30 June 2021 (unaudited)				
Balance at the 31 December 2020		233,540	36,367	269,907
Capital injection from shareholders		-	-	-
Net profit/(loss) and other comprehensive income for the period		-	6,173	6,173
Total equity movement for the period		-	6,173	6,173
Balance at 30 June 2021		233,540	42,540	276,080
For the year ended 31 December 2021 (audited)				
Balance at 31 December 2020		233,540	36,367	269,907
Capital injection from shareholders		-	-	-
Net profit/(loss) and other comprehensive income for the year		-	11,526	11,526
Total equity movement for the year		-	11,526	11,526
Balance at 31 December 2021		233,540	47,893	281,433

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

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STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Assets				
Cash, cash equivalents and balances with central banks		181,883	213,121	247,830
Amounts due from related parties	10	-	5,730	4,332
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	1,648,558	1,632,589	1,620,744
Right-of-use assets		7,126	8,384	7,747
Property, plant and equipment		794	287	590
Intangible assets		-	5	2
Deferred tax assets		6,616	5,043	5,856
Other assets		7,298	4,865	6,027
Total assets		**2,079,431**	**2,097,020**	**2,239,446**
Liabilities				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	10	514,093	544,661	532,849
Derivative financial liabilities		9,826	1,852	3,760
Deposits from customers	6	592,543	502,546	599,266
Certificates of deposit	7	97,340	134,304	193,133
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		1,633	1,002	2,300
Deferred tax liabilities		-	228	-
Other liabilities		15,124	11,144	12,416
Total liabilities		**1,791,097**	**1,820,940**	**1,958,013**
Shareholder's equity				
Share capital		233,540	233,540	233,540
Reserves		54,794	42,540	47,893
Total shareholder's equity		288,334	276,080	281,433
Total shareholder's equity and liabilities		**2,079,431**	**2,097,020**	**2,239,446**
Total interest earning and discount bearing assets	18	2,060,011	2,078,972	2,219,889
Total interest and discount bearing liabilities	18	1,702,069	1,759,187	1,862,606

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
Executive Director

Donald Thomas Brash
Chairman/Independent Director

STATEMENT OF CASH FLOWS

Thousands of dollars	Note	Unaudited 30 June 2022 6 months	Unaudited 30 June 2021 6 months	Audited 31 December 2021 12 months
Cash flows applied to operating activities				
Interest income		33,137	28,993	57,158
Other income		6,966	4,370	7,960
Interest expense		(14,862)	(14,889)	(25,110)
Long-term lease payments		(724)	(760)	(1,511)
Variable lease		(4)	(7)	(12)
Personnel expense		(6,548)	(6,006)	(13,238)
Other operating expense		(2,324)	(2,119)	(4,496)
Taxes paid		(4,096)	(1,911)	(3,821)
Changes in operating assets and liabilities arising from cash flow movements:		**11,545**	**7,671**	**16,930**
Changes in operating assets and liabilities arising from cash flow movements:				
(Increase)/decrease in loans and advances to customers		(27,221)	(18,485)	(7,310)
Increase/(decrease) in deposits from customers		(6,723)	(148,251)	(51,531)
Increase/(decrease) in amounts due to related parties		(60,000)	139,987	184,426
(Increase)/decrease in other assets		(1)	-	-
Increase/(decrease) in other liabilities		53	218	(127)
(Increase)/decrease in amounts due from related parties		4,332	(2,706)	(1,308)
Increase/(decrease) in certificates of deposit		(95,793)	54,554	113,383
Net change in operating assets and liabilities		**(185,353)**	**25,317**	**237,533**
Net cash flows applied to operating activities		**(173,808)**	**32,988**	**254,463**
Cash flows applied to investing activities				
Purchase of property, plant and equipment		(311)	(172)	(548)
Purchase of intangible assets		-	-	-
Purchase of financial 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		-	-	-
Receipts from subordinated loans due to related parties		-	-	-
Receipts/(repayments) from issuance of debt securities		(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		(237,190)	58,376	269,335
Cash and cash equivalents at beginning of year		354,979	85,644	85,644
Cash and cash equivalents		**117,789**	**144,020**	**354,979**
Cash and cash equivalents at end of the period comprised:				
Cash, cash equivalents and balances with central banks		181,883	213,121	247,830
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		(84,093)	(99,100)	(42,850)
Total cash and cash equivalents		**117,789**	**144,020**	**354,979**

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 6 months	Unaudited 30 June 2021 6 months	Audited 31 December 2021 12 months
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit after taxation	**6,901**	**6,173**	**11,526**
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	(989)	110	1,209
Loss on written-off financial assets	-	-	5
Bad debts recovery	(4)	-	-
Unrealised foreign exchange gain/(loss)	2,031	1,515	554
(Increase)/decrease in deferred taxation	(760)	(1,033)	(2,074)
Amortisation of debt securities issued	(129)	(148)	(337)
Increase/(decrease) in operating assets and liabilities	**4,131**	**3,902**	**7,123**
(Increase)/decrease in interest receivable	(1,160)	539	(461)
Increase/(decrease) in interest payable	2,955	(3,922)	(2,556)
(Increase)/decrease in loans and advances to customers	(27,221)	(18,485)	(7,310)
Increase/(decrease) in deposits from customers	(6,723)	(148,251)	(51,531)
Increase/(decrease) in certificates of deposit	(95,793)	54,554	113,383
Increase/(decrease) in lease liabilities	(641)	(666)	(1,328)
Increase/(decrease) in other liabilities	188	891	392
Increase/(decrease) in amounts due to related parties	(60,000)	139,987	184,426
(Increase)/decrease in current taxation	(667)	1,494	2,791
(Increase)/decrease in other assets	(110)	(522)	(684)
(Increase)/decrease in amounts due from related parties	4,332	(2,706)	(1,308)
Net cash flows applied to operating activities	**(173,808)**	**32,988**	**254,463**

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 six months ended 30 June 2022 (unaudited)

			Non-cash changes		
	31 December 2021	**Net Cashflow**	**Amortisation**	**Foreign Exchange movement**	**30 June 2022**
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

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2021 (unaudited)

			Non-cash changes		
	31 December 2020	**Net Cashflow**	**Amortisation**	**Foreign Exchange movement**	**30 June 2021**
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

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2021 (audited)

			Non-cash changes		
	31 December 2020	**Net Cash flow**	**Amortisation**	**Foreign Exchange movement**	**31 December 2021**
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	523,178	13,170	(337)	-	536,011
Total liabilities from financing activities	593,178	13,170	(337)	-	606,011

Note 1 - Statement of Accounting Policies

(1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank", "ICBC NZ'). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements are for the six months ended 30 June 2022.

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

They were approved for issue by the Directors on 26 August 2022. The address of the Bank's registered office is Level 11, 188 Quay Street, Auckland 1010, New Zealand. The Bank provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

These interim financial statements are for the Bank 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 Bank'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) Presentation Currency

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

(4) Critical accounting estimates and 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 provision for doubtful debts and fair value adjustments), are based on best estimates at that date. Although the Bank has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. 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 - Statement of 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 Bank's lending portfolio has shown limited impact from this.

The Bank continues to closely monitor business borrowers and the performance of home loans. Applying judgement to the situation, there remains the potential for some retreat in economic performance beyond 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.

(5) Changes in accounting policies

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

The Bank 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.

(6) 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)	7,691	(5,367)	(5,128)
Other revenue	3,537	1,780	5,324
Total other income/(losses)	11,532	(3,116)	1,046

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	Total as at 30 June 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,528	6,203	74	-	515	-	9,321
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	9,628	74	-	515	-	13,862

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	Total as at 30 June 2021
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,298	6,557	9	-	546	-	9,411
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	9,982	9	-	546	-	13,752

Audited 31 December 2021

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 31 December 2021
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,464	6,716	37	1	951	-	10,170
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	686	-	-	-	-	-	686
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	-	570	3,425	-	-	-	-	3,995
Balance as at 31 December 2021	1	3,720	10,141	37	1	951	-	14,851

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
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	6,716	-	-	3,425	10,141
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	(513)	-	-	-	(513)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	6,203	-	-	3,425	9,628
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	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	951	-	-	-	951
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	(436)	-	-	-	(436)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022*	515	-	-	-	515
Total					
Balance at beginning of period	10,170	686	-	3,995	14,851
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	(843)	2	-	(152)	(993)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	9,321	2	-	4,539	13,862

*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				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
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	1,111,495	-	-	5,211	1,116,706
Net drawdown/(repayment)	10,376	-	-	(13)	10,363
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	1,121,871	-	-	5,198	1,127,069
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

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Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2022				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	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
Total					
Balance at beginning of period	1,971,877	1,611	-	5,436	1,978,924
Net addition/(deletion)	(91,415)	-	-	(1,628)	(93,043)
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	1,879,251	8	-	6,626	1,885,885
Commitments and financial guarantee contracts					
Balance at beginning of period	333,512	-	-	-	333,512
Net increase/(decrease) facilities	(78,715)	-	-	-	(78,715)
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	254,797	-	-	-	254,797

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2021

Movement in provision for credit impairment Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,166	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	7,189	-	-	3,425	10,614
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(632)	-	-	-	(632)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	6,557	-	-	3,425	9,982
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

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Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2021 **Movement in provision for credit impairment** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	-	-	-	-	-
Total					
Balance at beginning of period	9,365	17	-	3,995	13,377
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	(500)	325	-	4	(171)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021	8,865	342	-	3,999	13,206
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	265	-	-	-	265
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	281	-	-	-	281
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2021*	546	-	-	-	546

*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				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Residential mortgage lending					
Balance at beginning of period	453,468	3,675	-	545	457,688
Net drawdown/(repayment)	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	1,164,192	-	-	5,360	1,169,552
Net drawdown/(repayment)	(9,100)	-	-	(14)	(9,114)
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	1,155,092	-	-	5,346	1,160,438
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	
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)	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
Total					
Balance at beginning of period	1,824,940	3,675	-	5,905	1,834,520
Net addition/(deletion)	35,858	-	-	(14)	35,844
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	1,860,790	3,678	-	5,896	1,870,364
Commitments and financial guarantee contracts					
Balance at beginning of period	430,724	-	-	-	430,724
Net increase/(decrease) facilities	6,895	-	-	-	6,895
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	437,619	-	-	-	437,619

Note 3 - Impairment Allowance (continued)

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

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Note 3 - Impairment Allowance (continued)

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

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

Note 3 - Impairment Allowance (continued)

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

Note 3 - Impairment Allowance (continued)

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

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Note 4 - Taxation

Consistent with NZ IAS 12 the Bank has recognised total tax benefits of $6,616K as at 30 June 2022 (30 June 2021: $5,043K, 31 December 2021: $5,856K). 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	9,570	8,544	16,064
Tax calculated at a tax rate of 28%	2,680	2,392	4,498
Over/(under) provision from prior period	-	(21)	-
Temporary differences not recognised	(11)	-	-
Utilisation of tax losses previously unrecognised	-	-	-
Other permanent differences	-	-	40
Taxation charge/(benefit) as per the statement of comprehensive income	2,669	2,371	4,538
Represented by:			
Current tax	3,429	3,404	6,612
Deferred tax	(760)	(1,033)	(2,074)
Taxation charge/(benefit) as per the statement of comprehensive income	2,669	2,371	4,538

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	1,127,069	1,160,438	1,116,706
Credit Cards	27	27	17
Other exposures	-	-	-
Allowance for impairment losses	(13,273)	(13,197)	(13,862)
Total net loans and receivables	1,648,558	1,632,589	1,620,744
Current	229,574	214,272	267,326
Non-Current	1,418,984	1,418,317	1,353,418

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	76,931
Demand deposits bearing interest	15,486	28,910	28,390
Term deposits	514,612	426,109	493,945
Total deposits	592,543	502,546	599,266
Current	587,612	498,973	588,742
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)	97,340	134,304	193,133
Other debt securities	482,811	546,340	536,011
Total debt securities issued	580,151	680,644	729,144
Current	105,372	372,712	428,803
Non-Current	474,779	307,932	300,341

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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	-	-
Non-Current	-	70,000	70,000

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

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

Unaudited 30 June 2022 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	19	533,307	1,121,871	1,655,197
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 year	-	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	1,127,069	1,661,831
Individually assessed provisions				
Balance at beginning of the year	-	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 year	1	3,150	6,716	9,867
Charge/(credit) to the statement of comprehensive income	2	(622)	(513)	(1,133)
Other movements	-	-	-	-
Balance at end of the period	3	2,528	6,203	8,734
Total provisions for impairment losses	3	3,642	9,628	13,273
Total net loans and advances	24	531,093	1,117,441	1,648,558

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	1,155,092	1,639,877
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 year	-	545	5,359	5,904
Additions	4	-	-	4
Amounts 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	1,160,438	1,645,786
Individually assessed provisions				
Balance at beginning of the year	-	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 year	4	570	3,425	3,999
Collectively assessed provisions				
Balance at beginning of the year	1	2,183	7,189	9,373
Charge/(credit) to the statement of comprehensive income	1	456	(632)	(175)
Other movements	-	-	-	-
Balance at end of the year	2	2,639	6,557	9,198
Total provisions for impairment losses	6	3,209	9,982	13,197
Total net loans and advances	21	482,112	1,150,456	1,632,589

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	1,111,495	1,629,156
Past due assets not impaired				
Less than 30 days past due	6	8	-	14
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	6	8	-	14
Individually impaired assets				
Balance at beginning of the year	-	545	5,360	5,905
Additions	5	-	-	5
Amounts recovered	-	-	-	-
Amounts written off	(5)	-	-	(5)
Deletion	-	(320)	(149)	(469)
Total individually impaired assets	-	225	5,211	5,436
Total gross loans and advances	17	517,883	1,116,706	1,634,606
Individually assessed provisions				
Balance at beginning of the year	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	5	-	-	5
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	(5)	-	-	(5)
Balance at end of the period	-	570	3,425	3,995
Collectively assessed provisions				
Balance at beginning of the year	1	2,183	7,189	9,373
Charge/(credit) to the statement of comprehensive income	-	967	(473)	494
Other movements	-	-	-	-
Balance at end of the period	1	3,150	6,716	9,867
Total provisions for impairment losses	1	3,720	10,141	13,862
Total net loans and advances	16	514,163	1,106,565	1,620,744

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

Undrawn balances on lending commitments to counterparties were $253M as at 30 June 2022 (30 June 2021: $438M, 31 December 2021: $334M).

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).

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

Note 10 – Balances with Related Parties

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	-	5,730	4,332
Amount due from controlled entities of ultimate parent	-	-	-
Total amount due from related parties	-	5,730	4,332
Current	-	5,730	4,332
Non-Current	-	-	-
Amounts due to ultimate parent	513,858	544,097	532,453
Amount due to controlled entities of ultimate parent	235	564	396
Total amount due to related parties	514,093	544,661	532,849
Current	84,093	179,100	42,849
Non-Current	430,000	365,561	490,000

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2022 was $5M (30 June 2021: $6M, 31 December 2021: $18M). 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. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC NZ Vostro account was NZ$84M as at 30 June 2022 (30 June 2021: NZ$99M, 31 December 2021: NZ$43M).

3. As at 30 June 2022, there is total NZ$70m 5-year subordinated loan from ICBC Head Office (Note 8).The accrued interest of subordinated loan was NZ$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	9	8	15
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	9	8	15
Interest expense on amount due to related entities			
Ultimate parent	5,134	2,145	5,328
Subsidiaries of ultimate parent	2	-	-
Total interest expense on amount due to related entities	5,136	2,145	5,328
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	3,537	1,780	5,323
Total other operating income	3,405	897	4,209
Other operating expense			
Other operating expense paid to ultimate parent	91	-	-

Interest payable to parent as at 30 June 2022 was $2,349K (30 June 2021: $387K, 31 December 2021: $800K), 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.

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

Note 10 – Balances with Related Parties (continued)

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

D. Guarantees

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

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

Due to a new policy implemented by the China Banking and Insurance Regulatory Commission ("CBIRC"), which will prevent ICBC from guaranteeing the Bank, from 1 March 2023 the Bank 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 fully guarantees due payment of all obligations of the Bank to the Bank's depositors and other creditors.

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

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

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

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

Note 11 – Concentration of Credit Risk

The following table breaks down the Bank's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows. For further details on how credit risk is managed and for On Balance Sheet and Off Balance Sheet credit exposure details, refer to Note 19.

Thousands of dollars	**Unaudited 30 June 2022**	**Unaudited 30 June 2021**	**Audited 31 December 2021**
Government	213,335	254,166	281,302
Finance (including banks)	233,529	224,341	341,934
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	50,236
Construction	114,954	57,941	76,997
Property services	551,615	602,008	515,133
Agriculture	4,951	5,300	4,901
Forestry, fishing and mining	31,183	50,134	50,185
Health and community services	100,470	157,984	158,411
Retail and wholesale trade	60,306	60,135	60,175
Manufacturing	84,419	78,466	80,713
Education	-	-	3,006
Less: allowance for impairment provisioning	(13,347)	(13,205)	(13,900)
Total financial assets	2,064,107	2,082,534	2,224,358
Less: non-interest earning financial assets	(4,096)	(3,562)	(4,469)
Total interest earning and discount bearing financial assets	2,060,011	2,078,972	2,219,889

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	1,867,368	1,870,504	2,032,197
Overseas	196,739	212,030	192,161
Total financial assets	2,064,107	2,082,534	2,224,358

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	1,648,558	1,632,589	1,620,744
Derivative financial instruments	-	1,443	130
Trade and Other Receivables	-	-	-
Other financial assets	5,115	2,785	3,700
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	1,653,673	1,636,817	1,624,574
Cash and cash equivalents	181,883	213,121	247,830
Amounts due from related parties	-	5,730	4,332
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	1,313	1,434
Total on Balance Sheet Credit Exposures	2,064,107	2,082,534	2,224,358
Off Balance Sheet Exposures	254,797	437,619	333,512
Total Off Balance Sheet Credit Exposures	254,797	437,619	333,512

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 Bank's mortgage portfolio was 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 11 – Concentration of Credit Risk (continued)

(i) Credit exposure to individual counterparties

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

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

Peak End of Day Credit Exposures	Unaudited During the 6 months period ended 30 June 2022 Number of Bank Counterparties			Unaudited During the 6 months period ended 30 June 2021 Number of Bank Counterparties			Audited During the 6 months period ended 31 December 2021 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-	1	-	-	1	-	-
15% - 19%	-	-	-	1	-	-	-	-	-
20% - 24%	2	-	-	-	-	-	2	-	-
25% - 29%	-	-	-	-	-	-	1	-	-
30% - 34%	1	-	-	1	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	1	-	-
40% - 44%	-	-	-	1	-	-	-	-	-
45% - 50%	-	-	-	-	-	-	-	-	-

Peak End of Day Credit Exposures	Unaudited During the 6 months period ended 30 June 2022 Number of Other Counterparties			Unaudited During the 6 months period ended 30 June 2021 Number of Other Counterparties			Audited During the 6 months period ended 31 December 2021 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	3	-	-	7	-	-	8
15% - 19%	-	-	7	-	-	9	-	-	8
20% - 24%	1	-	7	1	-	7	1	-	5
25% - 29%	-	-	2	-	-	3	-	-	3
30% - 34%	-	-	1	-	-	-	-	-	1
35% - 39%	-	-	1	-	-	2	-	-	1
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 50%	-	-	-	-	-	-	-	-	-

Note 11 – Concentration of Credit Risk (continued)

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2022 Number of Bank Counterparties			Unaudited As at 30 June 2021 Number of Bank Counterparties			Audited As at 31 December 2021 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	4	-	-	2	-	-	1	-	-
15% - 19%	-	-	-	-	-	-	-	-	-
20% - 24%	-	-	-	1	-	-	1	-	-
25% - 29%	-	-	-	-	-	-	1	-	-
30% - 34%	-	-	-	-	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	1	-	-
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 50%	-	-	-	-	-	-	-	-	-

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2022 Number of Other Counterparties			Unaudited As at 30 June 2021 Number of Other Counterparties			Audited As at 31 December 2021 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	6	-	-	9	-	-	2
15% - 19%	-	-	4	-	-	6	-	-	8
20% - 24%	1	-	5	1	-	6	1	-	4
25% - 29%	-	-	2	-	-	2	-	-	3
30% - 34%	-	-	1	-	-	-	-	-	1
35% - 39%	-	-	1	-	-	2	-	-	1
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 50%	-	-	-	-	-	-	-	-	-

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

The Bank had no cental government, central bank, supranational or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregated credit exposure, as at 30 June 2022, and peak end-of-day aggregate credit exposure, for the six months ended 30 June 2022, equalled or exceeded 10% of the Bank's Common Equity Tier One Capital.

These calculations are gross and do not include any individually assessed provisions, which are assessed as Nil.

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Note 12 – Concentration of Funding

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

Thousands of dollars	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
New Zealand			
Transport and storage	42,749	50,242	51,304
Financing investment and insurance	573,260	617,344	680,948
Manufacturing	1,666	793	1,897
Construction	10,491	24,886	26,173
Communication	580	243	362
Government, local authorities and services	53,598	39,384	114,211
Agriculture	12	1	8
Forestry	1,372	1,991	507
Health and community services	-	23	-
Property and business services	32,472	16,128	17,960
Accommodation and food services	1,248	1,059	1,251
Education	42,444	35,392	17,252
Retail and wholesale trade	2,395	1,774	17,088
Other	27,070	16,874	26,365
Households	73,845	57,812	61,939
Overseas			
Amounts due to related parties	586,895	616,090	604,065
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	1,789,421	1,819,682	1,955,679
Less: non-interest bearing financial liabilities	(87,352)	(60,495)	(93,073)
Total interest and discount bearing liabilities	1,702,069	1,759,187	1,862,606

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	599,266
Registered Banks	1	1	1
Derivative financial liabilities	9,826	1,852	3,760
Certificates of deposit	97,340	134,304	193,133
Subordinated loans due to related parties	70,000	70,000	70,000
Debts securities issued	482,811	546,340	536,011
Amounts due to related parties	514,093	544,661	532,849
Lease liabilities	7,726	8,862	8,277
Other	15,081	11,116	12,382
Total financial liabilities	1,789,421	1,819,682	1,955,679

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

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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	1,761	-	-
Total contingent liabilities	1,761	-	-
Undrawn Commitments	253,036	437,619	333,512

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 – Dividend

During the 6 months ended 30 June 2022 the Bank has not paid any dividends to its shareholder (30 June 2021: nil, 31 December 2021: nil).

Note 16 – Fair Value of Financial Instruments

Fair value Assumptions

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

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

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

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

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

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

Fair Value Measurements

Under NZ IFRS 7, the fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

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

Note 16 – 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	181,883	-	181,883	-	181,883
Amounts due from related parties	-	-	-	-	-
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	1,648,558	-	1,645,247	-	1,645,247
Other financial assets	6,510	-	6,510	-	6,510
Total financial assets	2,064,107	195,839	1,856,816	-	2,052,655
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	514,093	-	511,769	-	511,769
Derivative financial liabilities	9,826	-	9,826	-	9,826
Deposits from customers	592,543	-	592,438	-	592,438
Certificates of deposit	97,340	-	97,233	-	97,233
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	15,081	-	15,081	-	15,081
Total financial liabilities	1,789,421	-	1,784,741	-	1,784,741

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	213,121	-	213,121	-	213,121
Amounts due from related parties	5,730	-	5,730	-	5,730
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	1,632,589	-	1,635,550	-	1,635,550
Other financial assets	4,098	-	4,098	-	4,098
Total financial assets	2,082,534	200,523	1,890,926	-	2,091,449
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	544,661	-	544,661	-	544,661
Derivative financial liabilities	1,852	-	1,852	-	1,852
Deposits from customers	502,546	-	502,737	-	502,737
Certificates of deposit	134,304	-	134,218	-	134,218
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	11,116	-	11,116	-	11,116
Total financial liabilities	1,819,682	-	1,823,877	-	1,823,877

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Note 16 – 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	247,830	-	247,830	-	247,830
Amounts due from related parties	4,332	-	4,332	-	4,332
Due from banks and other financial institutions	149,999	-	149,999	-	149,999
Investment securities	194,281	192,933	-	-	192,933
Derivative financial assets	2,038	-	2,038	-	2,038
Loans and advances to customers	1,620,744	-	1,618,195	-	1,618,195
Other financial assets	5,134	-	5,134	-	5,134
Total financial assets	2,224,358	192,933	2,027,528	-	2,220,461
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	532,849	-	534,775	-	534,775
Derivative financial liabilities	3,760	-	3,760	-	3,760
Deposits from customers	599,266	-	599,168	-	599,168
Certificates of deposit	193,133	-	193,122	-	193,122
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	536,011	-	535,237	-	535,237
Lease liabilities	8,277	-	8,277	-	8,277
Other financial liabilities	12,382	-	12,382	-	12,382
Total financial liabilities	1,955,679	-	1,956,722	-	1,956,722

Note 17 – Liquidity Risk

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

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

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

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

Unaudited 30 June 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	84,155	1,394	9,743	454,533	-	549,825
Deposits from customers	80,533	274,121	240,953	5,251	-	600,858
Certificates of deposit	-	-	100,000	-	-	100,000
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	6,825	-	-	6,937
Total financial liabilities	164,689	287,254	442,020	959,549	1,316	1,854,828
Derivative cash flows						
Inflows from derivatives	-	83,981	5,032	7,108	-	96,121
Outflows from derivatives	-	(86,256)	(5,551)	(8,649)	-	(100,456)
Total	-	(2,275)	(519)	(1,541)	-	(4,335)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	253,036	-	-	-	-	253,036
Total	253,036	-	-	-	-	253,036

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Note 17 – Liquidity Risk (continued)

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	81,073	3,684	369,404	-	553,261
Deposits from customers	79,053	213,867	209,959	3,862	-	506,741
Certificates of deposit	-	80,000	55,000	-	-	135,000
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	7,204	-	-	7,294
Total financial liabilities	178,154	387,372	512,097	766,395	2,305	1,846,323
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	437,619	-	-	-	-	437,619
Total	437,619	-	-	-	-	437,619

Note 17 – 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	42,850	807	6,087	504,024	-	553,768
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	107,319	314,758	171,088	11,018	-	604,183
Certificates of deposit	-	115,000	80,000	-	-	195,000
Subordinated loans due to related parties	-	290	35,992	35,290		71,572
Debt securities issued	-	8,221	235,397	308,065	-	551,683
Lease liabilities	-	337	1,148	5,487	1,813	8,785
Other financial liabilities	-	220	6,973	-	-	7,193
Total financial liabilities	150,170	439,633	536,685	863,884	1,813	1,992,185
Derivative cash flows						
Inflows from derivatives	-	62,624	3,885	7,396	-	73,905
Outflows from derivatives	-	(62,421)	(2,955)	(6,819)	-	(72,195)
Total	-	203	930	577	-	1,710
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	333,512	-	-	-	-	333,512
Total	333,512	-	-	-	-	333,512

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	181,883	213,121	247,830
Due from banks and other financial institutions	20,000	30,000	149,999
Investment securities	203,980	194,569	194,281
Total liquidity portfolio	**405,863**	**437,690**	**592,110**

Note 18 – Interest Rate Risk

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

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

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

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

Unaudited 30 June 2022	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	7,916	173,967	-	-	-	-	181,883
Amounts due from related parties	-	-	-	-	-	-	-
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	(13,273)*	1,200,058	75,274	236,747	121,509	28,243	1,648,558
Other financial assets	6,351	-	-	-	-	159	6,510
Total financial Assets	4,096	1,403,025	81,317	252,121	167,534	156,014	2,064,107
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	254,093	160,000	-	100,000	-	514,093
Derivative financial liabilities	9,826	-	-	-	-	-	9,826
Deposits from customers	62,445	290,392	113,503	121,272	4,565	366	592,543
Certificates of deposit	-	-	48,942	48,398	-	-	97,340
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	15,081	-	-	-	-	-	15,081
Total financial liabilities	87,352	961,927	357,445	170,102	204,539	8,056	1,789,421
On-balance sheet gap	(83,256)	441,098	(276,128)	82,019	(37,005)	147,958	274,686
Net derivative notional principals	-	(100,000)	-	-	100,000	-	-
Net effective interest rate gap	(83,256)	341,098	(276,128)	82,019	62,995	147,958	274,686

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

Note 18 – Interest Rate Risk (continued)

Unaudited 30 June 2021	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	10,402	202,719	-	-	-	-	213,121
Amounts due from related parties	-	5,730	-	-	-	-	5,730
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	(13,197)*	1,240,065	96,792	227,696	78,598	2,635	1,632,589
Other financial assets	3,939	-	-	-	-	159	4,098
Total financial Assets	3,562	1,487,514	96,792	227,696	100,174	166,796	2,082,534
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	429,100	115,561	-	-	-	544,661
Derivative financial liabilities	1,852	-	-	-	-	-	1,852
Deposits from customers	47,527	244,186	108,237	99,023	2,652	921	502,546
Certificates of deposit	-	79,781	-	54,523	-	-	134,304
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	11,116	-	-	-	-	-	11,116
Total financial liabilities	60,495	1,218,562	258,805	161,475	10,684	109,661	1,819,682
On-balance sheet gap	(56,933)	268,952	(162,013)	66,221	89,490	57,135	262,852
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(56,933)	168,952	(162,013)	66,221	89,490	157,135	262,852

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

Note 18 – Interest Rate Risk (continued)

Audited 31 December 2021	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	2,417	245,413	-	-	-	-	247,830
Amounts due from related parties	-	4,332	-	-	-	-	4,332
Due from banks and other financial institutions	(1)*	150,000	-	-	-	-	149,999
Investment securities	(37)*	9,000	-	6,103	35,417	143,798	194,281
Derivative financial assets	2,038	-	-	-	-	-	2,038
Loans and advances to customers	(13,861)*	1,175,182	166,114	136,894	130,721	25,694	1,620,744
Other financial assets	4,975	-	-	-	-	159	5,134
Total financial Assets	(4,469)	1,583,927	166,114	142,997	166,138	169,651	2,224,358
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	212,849	220,000	-	-	100,000	532,849
Derivative financial liabilities	3,760	-	-	-	-	-	3,760
Deposits from customers	76,931	363,626	111,758	36,428	10,360	163	599,266
Certificates of deposit	-	114,445	29,745	48,943	-	-	193,133
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	426,175	1,713	7,600	432	100,091	536,011
Lease liabilities	-	5	-	-	-	8,272	8,277
Other financial liabilities	12,382	-	-	-	-	-	12,382
Total financial liabilities	93,073	1,152,101	398,216	92,971	10,792	208,526	1,955,679
On-balance sheet gap	(97,542)	431,826	(232,102)	50,026	155,346	(38,875)	268,679
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(97,542)	331,826	(232,102)	50,026	155,346	61,125	268,679

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

Note 19 – Capital Adequacy

(a) Issued Capital
The Bank had 233,539,975 fully paid up ordinary shares (tier one capital) issued at NZ$1 per share as at 30 June 2022.

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

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

The ordinary shares issuance details is shown as below:

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

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Note 19 – Capital Adequacy (continued)

(b) Other Classes of Capital Instrument

As at 30 June 2022, the 5-year subordinated loan of NZ$70m ("The loan") issued by the Bank to ICBC Head Office (Note 8) has a recognised amount of NZ$14m. The loan is subordinated, unsecured. The loan issued by the Bank qualifies for Tier 2 capital instruments subject to phase-out in accordance with BPR110 (Banking Prudential Requirements).

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

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

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios as at 30 June 2022, 30 June 2021, and 31 December 2021. The Bank has complied with both regulatory and internal capital adequacy requirements.

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

(c) Tier one and two Capital

Thousands of dollars	30 June 2022	30 June 2021	31 December 2021
Tier one capital			
Common Equity Tier one capital			
Issued and fully paid up share capital	233,540	233,540	233,540
Retained earnings	54,794	42,540	47,893
Accumulated other comprehensive income and other disclosed reserves	-	-	-
Interest from issue of ordinary shares	-	-	-
Less:	-	-	-
Goodwill and other intangible assets	-	(5)	(2)
Regulatory adjustments	-	-	-
Deferred tax assets	(6,616)	(5,043)	(5,856)
Total common equity tier one capital	281,718	271,032	275,575
Additional Tier one capital			
High-quality capital	-	-	-
Instruments issued	-	-	-
Share premium from issue of instruments	-	-	-
Associated retained earnings	-	-	-
Less: Regulatory adjustments	-	-	-
Total additional tier one capital	-	-	-
Total tier one capital	281,718	271,032	275,575
Tier two capital			
Subordinated loans due to related parties	14,000	28,000	21,000
Share premium from issue of instruments	-	-	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	-	-	-
Less: Regulatory adjustments	-	-	-
Total tier two capital	14,000	28,000	21,000
Total capital	295,718	299,032	296,575

The bank currently has NZ $70M of capital instruments subject to phase-out eligibility, of which includes Tier two capital of NZ$14M in terms of RBNZ's Basel III transitional arrangement.

Note 19 – Capital Adequacy (continued)

(d) Credit Risk

30 June 2022 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	166,356	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities - bond	56,805	20%	11,361	909
Public sector entities – government body	-	20%	-	-
Banks rating grade 1	141,183	20%	28,237	2,259
Banks rating grade 2 (≤3 months)	4,562	20%	912	73
Banks rating grade 2 (>3 months)	67,693	50%	33,847	2,708
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,084,932	100%	1,084,932	86,795
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	258,695	35%	90,543	7,243
Residential mortgages (investment) not past due -LVR up to 80%.	272,083	40%	108,833	8,707
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	314	100%	314	25
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	1,773	100%	1,773	142
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	25,035	100%	25,035	2,003
Total on balance sheet exposures after credit risk mitigation	2,079,431	-	1,385,787	110,864

Note 19 – Capital Adequacy (continued)

30 June 2022 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	-	50%	-	100%	-	-
Trade-related contingency	1,761	20%	352	100%	352	28
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	221,303	50%	110,652	100%	110,652	8,852
Other commitments where original maturity is more than one year	29,995	50%	14,998	20%	2,999	240
Other commitments where original maturity is less than or equal to one year	1,223	20%	245	100%	245	19
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	83,285	1%	833	100%	883	67
(b) Interest rate contracts (exposure less than 1 year)	20,000	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	290,000	0.50%	1,450	100%	1,450	116
Interest rate contracts (exposure more than 5 years)	-	1.50%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
Total off-balance sheet exposures	647,567	-	128,529	-	116,531	9,322

Note 19 – Capital Adequacy (continued)

30 June 2021	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of on-balance-sheet exposures	$'000	%	$'000	$'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	196,402	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities - bond	57,187	20%	11,437	915
Public sector entities – government body	-	20%	-	-
Banks rating grade 1	143,521	20%	28,704	2,296
Banks rating grade 2 (≤3 months)	5,679	20%	1,136	91
Banks rating grade 2 (>3 months)	45,314	50%	22,657	1,813
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	7,563	100%	7,563	605
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,136,288	100%	1,136,288	90,903
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	247,928	35%	86,775	6,942
Residential mortgages (investment) not past due -LVR up to 80%.	234,209	40%	93,684	7,494
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	(25)	100%	(25)	(2)
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	1,922	100%	1,922	154
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	21,032	100%	21,032	1,683
Total on balance sheet exposures after credit risk mitigation	2,097,020	-	1,411,173	112,894

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Note 19 – Capital Adequacy (continued)

30 June 2021 Calculation of off-balance-sheet exposures	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	-	50%	-	100%	-	-
Trade-related contingency	-	20%	-	-	-	-
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	407,891	50%	203,946	100%	203,946	16,316
Other commitments where original maturity is more than one year	27,712	50%	13,856	20%	2,771	222
Other commitments where original maturity is less than or equal to one year	1,470	20%	294	100%	294	23
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	78,226	1%	782	100%	782	62
(b) Interest rate contracts (exposure less than 1 year)	-	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	265,000	0.50%	1,325	100%	1,325	106
Interest rate contracts (exposure more than 5 years)	-	1.50%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
Total off-balance sheet exposures	780,299	-	220,203	-	209,118	16,729

Note 19 – Capital Adequacy (continued)

31 December 2021 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	223,691	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities - bond	57,004	20%	11,401	912
Public sector entities – government body	-	20%	-	-
Banks rating grade 1	255,972	20%	51,194	4,096
Banks rating grade 2 (≤3 months)	18,098	20%	3,620	290
Banks rating grade 2 (>3 months)	41,727	50%	20,864	1,669
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	2,823	100%	2,823	226
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,101,906	100%	1,101,906	88,152
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	260,065	35%	91,023	7,282
Residential mortgages (investment) not past due -LVR up to 80%.	254,442	40%	101,777	8,142
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	75%	-	-
Past due residential mortgages	(345)	100%	(345)	(28)
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	1,786	100%	1,786	143
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	22,277	100%	22,277	1,782
Total on balance sheet exposures after credit risk mitigation	2,239,446	-	1,408,326	112,666

Note 19 – Capital Adequacy (continued)

31 December 2021 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	-	50%	-	100%	-	-
Trade-related contingency	-	20%	-	100%	-	-
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	303,630	50%	151,815	100%	151,815	12,145
Other commitments where original maturity is more than one year	27,712	50%	13,856	20%	2,771	222
Other commitments where original maturity is less than or equal to one year	1,219	20%	244	100%	244	20
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	62,205	1%	622	100%	622	50
(b) Interest rate contracts (exposure less than 1 year)	-	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	265,000	0.50%	1,325	100%	1,325	106
Interest rate contracts (exposure more than 5 years)	-	1.5%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
Total off-balance sheet exposures	659,766	-	167,862	-	156,777	12,543

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

Note 19 – Capital Adequacy (continued)

(e) 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

(f) 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

(g) Credit risk mitigation

30 June 2022 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	-	-

Note 19 – Capital Adequacy (continued)

30 June 2021 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	-	-

31 December 2021 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	-	-

(h) Operational risk capital requirement

30 June 2022

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	109,313	8,745

30 June 2021

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	110,188	8,815

31 December 2021

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

Note 19 – Capital Adequacy (continued)

(i) Market Risk

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

30 June 2022	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	41,625	3,330	62,513	5,001
Foreign currency risk	8,763	701	10,363	829
Equity risk	-	-	-	-
Total capital requirements	50,388	4,031	72,876	5,830

30 June 2022 Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,726,998	1,502,318	120,185
Operational risk	-	109,313	8,745
Market risk	-	50,388	4,031
Total	2,726,998	1,662,019	132,961

30 June 2021	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	71,838	5,747	86,550	6,924
Foreign currency risk	5,763	461	22,150	1,772
Equity risk	-	-	-	-
Total capital requirements	77,601	6,208	108,700	8,696

30 June 2021 Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,877,319	1,620,291	129,623
Operational risk	-	110,188	8,815
Market risk	-	77,601	6,208
Total	2,877,319	1,808,080	144,646

Note 19 – Capital Adequacy (continued)

31 December 2021	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	49,848	3,988	90,663	7,253
Foreign currency risk	6,813	545	12,325	986
Equity risk	-	-	-	-
Total capital requirements	56,661	4,533	102,988	8,239

31 December 2021

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

Capital ratios

Regulatory Capital Ratios	**Regulatory Minimum**	**30 June 2022**	**30 June 2021**	**31 December 2021**
Common Equity Tier 1 Capital Ratio	4.50%	16.95%	14.99%	15.92%
Tier 1 Capital Ratio	6.00%	16.95%	14.99%	15.92%
Total Qualifying Capital Ratio	8.00%	17.79%	16.54%	17.13%
RBNZ required Buffer Ratio	2.50%	9.79%	8.54%	9.13%

(j) Capital for Other Material Risks

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements, namely strategic risk, reputational risk and start-up business risk. Noting this, the Bank has set aside additional Tier 1 capital of 2% (31 December 2020:2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment and further Tier 1 capital adequacy buffer of 2%.

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

(k) Regulatory liquidity ratios

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

	Unaudited For the 3 months ended 30 June 2022	Unaudited For the 3 months ended 31 March 2022
One-week mismatch ratio	13.5%	10.9%
One-month mismatch ratio	16.1%	15.5%
Core funding ratio	85.6%	83.8%

	Unaudited For the 3 months ended 30 June 2021	Unaudited For the 3 months ended 31 March 2021
One-week mismatch ratio	10.4%	13.4%
One-month mismatch ratio	13.9%	16.2%
Core funding ratio	89.0%	82.5%

Note 19 – Capital Adequacy (continued)

	Unaudited For the 3 months ended 31 December 2021	Unaudited For the 3 months ended 30 September 2021
One-week mismatch ratio	10.82%	7.53%
One-month mismatch ratio	16.66%	12.45%
Core funding ratio	80.80%	80.40%

(l) Capital adequacy of Ultimate Parent Bank

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

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

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

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

	31 March 2022	31 March 2021	31 December 2021
Ultimate Parent Bank 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%
Ultimate Parent 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 – Risk Management Policies

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

Note 21 - Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date the Bank was not involved in:

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

Deloitte.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Conclusion

We have reviewed pages 14 to 67 of the Disclosure Statement of Industrial and Commercial Bank of China (New Zealand) Limited (the 'Bank'), which comprises the interim financial statements of the Bank and the supplementary information required to be disclosed under Schedules 5, 7, 9, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

The interim financial statements comprise the statement of financial position of the Bank as at 30 June 2022, and the 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 interim financial statements on pages 14 to 67 (excluding the supplementary information) have not been prepared and do not present fairly, in all material respects, the financial position of the Bank 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, 13, 16 and 18 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 67 relating to capital adequacy and regulatory liquidity requirements 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 the Bank, except those partners and employee of our firm deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank.

Directors' responsibilities for the interim financial statements

The Directors are responsible on behalf of the Bank for the preparation and fair presentation of the 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 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, 13, 16 and 18 of the Order.

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

Our responsibility is to express a conclusion on the 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 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 capital adequacy and regulatory liquidity requirements) does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information presented by the Directors related to capital adequacy and regulatory liquidity requirements is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

A review of the 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 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) Limited (the 'Bank') for the 6 months ended date 30 June 2022 included on the Bank's website. The Bank's Board of Directors is responsible for the maintenance and integrity of the Bank's website. We have not been engaged to report on the integrity of the Bank'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.