INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the six months ended 30 June 2017

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 2017 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 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 2017 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.

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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
PWC 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 Regulatory Commission (CBRC) and the Government of the People's Republic of China (China). ICBC is not a New Zealand registered bank and is not subject to regulatory oversight by the Reserve Bank of New Zealand.

The registered address of ICBC is:

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

(b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

(c) Shareholding in ICBC

As at 31 March 2017, 68.11% of total shares in ICBC are owned by the Chinese government. The remaining 31.89% of the shares in ICBC are held by public shareholders. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Further details concerning the shareholdings in ICBC are on the ICBC website: www.icbc.com.cn

(d) Annual Report of ICBC

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

(e) Summary on restrictions of supporting the Bank

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

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

The Bank is a wholly-owned subsidiary of ICBC.

Subordination of Claims of Creditors

Priority of claims in the event of liquidation

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

Guarantee

Guarantee arrangements

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

A copy of the guarantee of the Bank's indebtedness given by ICBC is provided in the Bank's Disclosure Statement for the period ended 31 December 2016. 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.

Details of the guarantor (Parent)

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

The address for service of ICBC is:

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

As at 31 March 2017, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 2,044,971 million (per first quarterly report financial - unaudited) (NZ$412,675 million), representing 14.66% of risk weighted exposure.

(b) Credit Rating

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

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

(c) Rating movement history

There has not been any Standard & Poor's or Fitch Credit rating movement in the last 2 years.
On 2 March 2016, Moody's Investors Service changed the "Outlook" rating to "Negative" from "Stable", reflecting the change to outlook on Chinese Sovereign rating. No changes were made to any other ratings.
On 24 May 2017, Moody's Investors Service changed the "Outlook" rating to "Stable" from "Negative", reflecting the change to outlook on Chinese Sovereign rating. No changes were made to any other ratings.

Details of the guaranteed obligations (Parent)

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

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

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

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

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

Directors

The responsible person authorised to sign the Disclosure Statement on behalf of the Board, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, is 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
- Hongbin Liu, Non-Executive Director
- Mei Tao, Non-Executive Director

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

- Mei Tao, on 13 June 2017, RBNZ issued a non-objection confirmation for the appointment of Ms. Mei Tao appointment as a non-independent/non-executive Director. ICBC NZ Board has approved Ms Tao's appointment on 21 July 2017.
- Xuening Yang, resigned as Non-Executive Director, on 17 July 2017

Auditor

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

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

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

These conditions of registration apply on and after 1 October 2016.The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

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

For the purposes of this condition of registration, —

the Total capital ratio, the Tier 1 capital ratio, the Common Equity Tier 1 capital ratio and Total capital must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

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

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

1A. That—

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

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

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

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

(a) according to the following table, limit the aggregate distributions of the bank's earnings to the percentage limit to distributions that corresponds to the banking group's buffer ratio:

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

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

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

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
(f) the chairperson of the board of the bank must be independent;

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.)

(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 for liquidity-risk management:

(a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
(b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
(c) the one-year core funding ratio of the banking group is not less than 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" (BS13) dated July 2014 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

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

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

13. That no more than 10% of total assets may be beneficially owned by a SPV. For the purposes of this condition,—

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

"SPV" means a person—

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

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

14. That—

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

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

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

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

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

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

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

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

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

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

17. 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 conditions of registration 15 to 17,—

"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 2016:

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of March 2017.

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 28 August 2015, Moody's Investors Service upgraded the Bank's long-term Bank deposits, senior unsecured and issuer ratings to A1 from A2.The Bank's Short-term Bank deposits and issuer ratings were affirmed at P-1.

On 4 March 2016, Moody's Investors Service changed the "Outlook" rating to "Negative" from "Stable", reflecting the change to the outlook on Chinese Sovereign rating. No changes were made to any other ratings.

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

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

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

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

Rating Information

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

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

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

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 2017:

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

This Disclosure Statement is dated 28 August 2017 and has been signed by Donald Thomas Brash as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Donald T. Brash

Donald Thomas Brash
Independent Director, Chairman

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the six months ended 30 June 2017

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STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Unaudited 30 June 2017 6 months	Unaudited 30 June 2016 6 months	Audited 31 December 2016 12 months
Interest Income		19,350	11,376	27,557
Interest Expense		(10,659)	(5,005)	(11,149)
Net Interest Income		**8,691**	**6,371**	**16,408**
Net gains/ (losses) on financial instruments at fair value through P&L		(1,966)	(12,419)	(9,327)
Other Income	2	2,653	12,975	8,514
Total operating income		9,378	6,927	15,595
Operating expenses		(6,826)	(5,170)	(10,945)
Impairment provisioning on loans and advances to customers	3	(1,372)	(418)	(2,818)
Net profit/(loss) before taxation		1,180	1,339	1,832
Taxation (expense)/ benefit	4	794	-	(680)
Net profit/(loss) after taxation		**1,974**	**1,339**	**1,152**
Net change in available-for sale reserve (net of tax)		-	-	-
Net change in cash-flow hedge reserve (net of tax)		-	-	-
Foreign currency translation reserve		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income		**1,974**	**1,339**	**1,152**

KPMG

STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the six months ended 30 June 2017 (unaudited)				
Balance at the beginning of the period		145,460	(4,966)	140,494
Capital injection from shareholders		-	-	-
Net profit/(loss) for the period		-	1,974	1,974
Total equity movement for the period		-	1,974	1,974
Balance at 30 June 2017		145,460	(2,992)	142,468
For the six months ended 30 June 2016 (unaudited)				
Balance at the beginning of the period		60,378	(6,118)	54,260
Capital injection from shareholders		-	-	-
Net profit/(loss) for the period		-	1,339	1,339
Total equity movement for the period		-	1,339	1,339
Balance at 30 June 2016		60,378	(4,779)	55,599
For the year ended 31 December 2016 (audited)				
Balance at the beginning of the year		60,378	(6,118)	54,260
Capital injection from shareholders		85,082	-	85,082
Net profit/(loss) for the year		-	1,152	1,152
Total equity movement for the year		85,082	1,152	86,234
Balance at 31 December 2016		145,460	(4,966)	140,494

STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Assets				
Cash, cash equivalents and balances with central banks		41,150	86,102	156,527
Amounts due from related parties	9	5,213	-	-
Due from banks and other financial institutions		102,360	80,245	2,197
Financial assets designated at fair value through profit or loss		-	-	-
Financial assets held for trading		-	-	-
Financial assets held to maturity		47,445	13,958	40,676
Available-for-sale assets		-	-	-
Derivative Financial Assets		255	1,145	369
Loans and advances to customers	5,8	934,603	538,328	700,323
Property, plant and equipment		626	1,088	832
Intangible assets		-	2	-
Current taxation		-	81	-
Deferred tax assets		1,553	-	-
Other assets		3,984	1,950	2,620
Total assets		**1,137,189**	**722,899**	**903,544**
Liabilities				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	9	383,417	345,360	467,386
Financial liabilities held for trading		-	-	-
Derivative Financial Liabilities		203	5,722	245
Deposits from customers	6	255,606	182,272	149,799
Certificates of Deposit	7	49,703	29,804	33,450
Debt securities issued	7	295,479	96,219	103,894
Deferred tax liabilities		-	-	-
Current tax payable		792	-	596
Other liabilities		9,520	7,922	7,679
Total liabilities		994,721	667,300	763,050
Shareholder's equity				
Share capital		145,460	60,378	145,460
Reserves		(2,992)	(4,779)	(4,966)
Total shareholder's equity		142,468	55,599	140,494
Total shareholder's equity and liabilities		**1,137,189**	**722,899**	**903,544**
Total interest earning and discount bearing assets	10	1,114,806	698,476	796,200
Total interest and discount bearing liabilities	11	924,110	540,842	682,867

The accounting policies and other notes (1-20) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 28 August 2017 and are signed on their behalf by:

Donald T. Brash

Donald Thomas Brash
Independent Director, Chairman

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STATEMENT OF CASH FLOWS

Thousands of dollars	Unaudited 30 June 2017 6 months	Unaudited 30 June 2016 6 months	Audited 31 December 2016 12 months
Cash flows from operating activities			
Interest income	18,361	11,512	28,433
Other income	(449)	(2,969)	(9,211)
Personnel expenses	(3,918)	(2,918)	(6,118)
Other operating expenses	(2,348)	(1,513)	(3,533)
Interest expense	(9,513)	(3,668)	(10,604)
Taxes paid	(562)	-	(3)
Net cash flows from operating activities before changes in operating assets and liabilities	**1,571**	**444**	**(1,036)**
Changes in operating assets and liabilities arising from cash flow movements:			
(Increase)/decrease in loans and advances to customers	(235,652)	(158,857)	(323,252)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase / (decrease) in deposits from customers	105,807	54,935	22,462
Increase/(decrease) in amounts due to related parties	(83,969)	(115,616)	6,410
Increase/ (decrease) in amounts due to financial institutions	-	-	-
(Increase) / decrease in other assets	(15)	(17)	3
Increase/(decrease) in other liabilities	(19)	1,043	63
(Increase)/decrease in amounts due from related parties	(5,213)	-	-
Increase / (decrease) in certificates of deposit	16,253	14,920	18,566
Net change in operating assets and liabilities	**(202,808)**	**(203,592)**	**(275,748)**
Net cash flows from operating activities	**(201,237)**	**(203,148)**	**(276,784)**
Cash flows from investing activities			
Purchase of property, plant and equipment	-	-	(25)
Purchase of financial assets held to maturity	(6,963)	(9,035)	(35,918)
Net cash flows from investing activities	(6,963)	(9,035)	(35,943)
Cash flows from financing activities			
Issue of shares	-	-	-
Capital injection from shareholders	-	-	85,082
Proceeds from related parties	-	-	-
Increase in debt securities issued	192,986	25,806	33,645
Net cash flows from financing activities	192,986	25,806	118,727
Increase/(Decrease) in cash and cash equivalents	(15,214)	(186,377)	(194,000)
Cash and cash equivalents at beginning of year	158,724	352,724	352,724
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Cash and cash equivalents	**143,510**	**166,347**	**158,724**
Cash and cash equivalents at end of year comprised:			
Cash, cash equivalents and balances with central banks*	41,150	86,102	156,527
Due from banks and other institutions classified as cash equivalents	102,360	80,245	2,197
Total cash and cash equivalents	**143,510**	**166,347**	**158,724**

* Nostro account balance held with parent as at 30 June 2017 is $4,731K (30 June 2016: $3,783K, 31 December 2016: $1,640K). This is included in cash and cash equivalents balance.

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Statement Of Cash Flows (continued)

Thousands of dollars	Unaudited 30 June 2017 6 months	Unaudited 30 June 2016 6 months	Audited 31 December 2016 12 months
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit/(loss) after taxation	**1,974**	**1,339**	**1,152**
Non cash movements:			
Unrealised fair value adjustments	73	976	(297)
Depreciation	206	313	594
Amortisation of intangibles	-	2	4
Amortisation of financial instruments	194	19	184
Increase in collective allowance for impairment losses	1,372	413	2,807
Loss on written-off financial assets	-	5	11
(Increase)/decrease in deferred expenditure	-	-	-
Unsecured lending losses	-	-	-
Unrealised foreign exchange loss/(gain)	(939)	(4,716)	(8,144)
(Increase)/decrease in deferred taxation	(1,553)	-	-
Amortisation of debt securities issued	(463)	2	(162)
Increase in operating assets and liabilities	**(1,110)**	**(2,986)**	**(5,003)**
(Increase)/decrease in interest receivable	(1,031)	46	(544)
Increase/(decrease) in payable accruals	1,146	1,338	546
(Increase)/decrease in loans and advances to customers	(235,652)	(158,857)	(323,252)
(Increase)/decrease in amounts due from other financial institutions	-	-	-
Increase/(decrease) in deposits from customers	105,807	54,935	22,462
Increase/(decrease) in certificates of deposit	16,253	14,920	18,566
Increase/(decrease) in amounts due to other financial institutions	-	-	-
Increase/(decrease) in other liabilities	695	1,699	2,247
Increase/(decrease) in amounts due to related parties	(83,969)	(115,616)	6,410
(Increase)/decrease in current taxation	196	-	677
(Increase)/decrease in other assets	(333)	34	(45)
(Increase)/decrease in amounts due from related parties	(5,213)	-	-
Net cash flows from operating activities	**(201,237)**	**(203,148)**	**(276,784)**

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2017 (unaudited)

	31 December 2016	Net Cashflow	Non-cash changes: Amortisation	Non-cash changes: Foreign Exchange movement	30 June 2017
Debt securities issued	103,894	192,986	(463)	(938)	295,479
Total liabilities from financing activities	103,894	192,986	(463)	(938)	295,479

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Note 1 - Statement of Accounting Policies

(1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank"). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements are for the six months ended 30 June 2017.

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, 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 28 August 2017. 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 2017. 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 2016. 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 held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value.

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) Changes in accounting policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2016, except as disclosed below.

The following new amendment to standards relevant to the Banking has been adopted from 1 January 2017 and have been applied in the preparation of these financial statement:

NZ IAS 7 Disclosure Initiative (Amendments to NZ IAS 1) effective for periods on or after 1 January 2017 has been adopted. Adoption of this standard has not resulted in any impact on the Bank's reported results or financial position.

NZ IAS 12 Income tax effective for periods on or after 1 January 2017 has been adopted. Adoption of this standard has not resulted in any impact on the Bank's reported results or financial position.

(5) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Notes effected are: Deposits from customers have been reclassified based on the deposit types, instead of customers types and locations (Note 6); Concentration of credit risk – December 2016 figures changed due to the reclassification of customer industry (Administration and support services previously included in Finance – Note 10) .

Note 2 - Other Income

Thousands of dollars	Unaudited 30 June 2017 6 months	Unaudited 30 June 2016 6 months	Audited 31 December 2016 12 months
Banking and lending fee income	278	1,124	499
Payment services fee income	414	319	693
Net foreign exchange gains/(losses) and commissions	1,637	11,431	7,117
Gain on sale of property, plant and equipment	-	-	-
Other revenue	324	101	205
Total other income	2,653	12,975	8,514

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Note 3 - Impairment Allowance

Unaudited 30 June 2017

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 June 2017
Balance at the beginning of the period	-	-	-	-
Amount recovered	3	-	-	3
Charge to statement of comprehensive income in current period	-	175	-	175
Bad debts written off	-	-	-	-
Bad debts recovered	(3)	-	-	(3)
Balance as at 30 June 2017	-	175	-	175

Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 June 2017
Balance at the beginning of the period	10	303	3,745	4,058
Charge to statement of comprehensive income in current period	5	224	971	1,200
Advances written off	-	-	-	-
Balance as at 30 June 2017	15	527	4,716	5,258
Total charge to statement of comprehensive income	2	399	971	1,372

Unaudited 30 June 2016

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 June 2016
Balance at the beginning of the year	-	-	-	-
Amount recovered	-	-	-	-
Charge to statement of comprehensive income in current year	5	-	-	5
Bad debts written off	(5)	-	-	(5)
Bad debts recovered	-	-	-	-
Balance as at 30 June 2016	-	-	-	-

Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 30 June 2016
Balance at the beginning of the year	4	179	1,068	1,251
Charge to statement of comprehensive income in current year	6	81	326	413
Advances written off	-	-	-	-
Balance as at 30 June 2016	10	260	1,394	1,664
Total charge to statement of comprehensive income	11	81	326	418

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Note 3 - Impairment Allowance (continued)

Audited 31 December 2016

Individually impaired assets

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31 December 2016
Balance at the beginning of the period	-	-	-	-
Amount recovered	-	-	-	-
Charge to statement of comprehensive income in current period	11	-	-	11
Bad debts written off	(11)	-	-	(11)
Bad debts recovered	-	-	-	-
Balance as at 31 December 2016	-	-	-	-

Collective allowance for impairment losses

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Total as at 31 December 2016
Balance at the beginning of the period	4	179	1,068	1,251
Charge to statement of comprehensive income in current period	6	124	2,677	2,807
Advances written off	-	-	-	-
Balance as at 31 December 2016	10	303	3,745	4,058
Total charge to statement of comprehensive income	17	124	2,677	2,818

Note 4 - Taxation

Tax treatment has changed during the accounting period to recognise the expectation the Bank will continue to grow net operating profits in future years. Consistent with NZ IAS 12 the Bank has recognised current year and part of prior year tax benefits totalling $1,553K (30 June 2016: nil, 31 December 2016: nil). The majority of the tax benefits recognised relate to the allowance for impairment losses, accelerated depreciation, and other provisions. Tax benefits not recognised in these financial statements amounted to $666K at 30 June 2017 (30 June 2016: $1,664K, 31 December 2016: $1,791K).

Thousands of dollars	**Unaudited 30 June 2017 6 months**	**Unaudited 30 June 2016 6 months**	**Audited 31 December 2016**
Net profit/(loss) before taxation	1,180	1,339	1,832
Tax calculated at a tax rate of 28%	330	375	513
(Under)/over provision from prior period	-	-	-
Temporary differences not recognised	-	375	928
Utilisation of tax losses previously unrecognised	-	-	(803)
Tax benefit recognised from prior period	(1,125)	-	-
Other permanent differences	1	-	42
Taxation charge / (benefit) as per the statement of comprehensive income	(794)	-	680
Represented by:			
Tax benefit recognised from prior period	(1,125)	-	-
Current tax	759	-	680
Deferred tax	(428)	-	-
Taxation charge / (benefit) as per the statement of comprehensive income	(794)	-	680

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Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Residential mortgage loans	259,523	148,594	172,926
Corporate exposures	680,442	391,311	531,368
Credit Cards	71	87	87
Other exposures	-	-	-
Allowance for impairment losses	(5,433)	(1,664)	(4,058)
Total net loans and receivables	934,603	538,328	700,323
Current	216,921	237,852	201,769
Non-Current	717,682	300,476	498,554

Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Demand deposits not bearing interest	60,096	112,814	71,663
Demand deposits bearing interest	1	1	-
Term deposits	195,509	69,457	78,136
Total deposits	255,606	182,272	149,799
Current	93,021	140,487	107,136
Non-Current	162,585	41,785	42,663

Note 7 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Certificates of deposit (CDs)	49,703	29,804	33,450
Other debt securities	295,479	96,219	103,894
Total debt securities issued	345,182	126,023	137,344
Current	175,367	29,804	108,800
Non-Current	169,815	96,219	28,544

Note 8 – Asset Quality

Unaudited 30 June 2017 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	40	255,979	680,442	936,461
Past due assets not impaired				
Less than 30 days past due	15	2,473	-	2,488
At least 30 days but less than 60 days past due	11	-	-	11
At least 60 days but less than 90 days past due	2	-	-	2
At least 90 days past due	3	-	-	3
Total past due assets not impaired	31	2,473	-	2,504
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	1,071	-	1,071
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	-	1,071	-	1,071
Total gross loans and advances	71	259,523	680,442	940,036
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	175	-	175
Amounts recovered	3	-	-	3
Reversals of previously recognised impairment losses	(3)	-	-	(3)
Amounts written off	-	-	-	-
Balance at end of the period	-	175	-	175
Collectively assessed provisions				
Balance at beginning of the year	10	303	3,745	4,058
Charge (credit) to the statement of comprehensive income	5	224	971	1,200
Other movements	-	-	-	-
Balance at end of the period	15	527	4,716	5,258
Total provisions for impairment losses	15	702	4,716	5,433
Total net loans and advances	56	258,821	675,726	934,603

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 2017 (30 June 2016: nil, 31 December 2016: 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 $253,243K as at 30 June 2017 (30 June 2016: $173,872K, 31 December 2016: $169,074K).

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the period ended 30 June 2017 (30 June 2016: nil, 31 December 2016: nil).

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.

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Note 8 – Asset Quality (continued)

Unaudited 30 June 2016 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	23	148,594	391,311	539,928
Past due assets not impaired				
Less than 30 days past due	58	-	-	58
At least 30 days but less than 60 days past due	2	-	-	2
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	4	-	-	4
Total past due assets not impaired	64	-	-	64
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	5	-	-	5
Amounts written off	(5)	-	-	(5)
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	87	148,594	391,311	539,992
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	5	-	-	5
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	(5)	-	-	(5)
Balance at end of the year	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	4	179	1,068	1,251
Charge (credit) to the statement of comprehensive income	6	81	326	413
Other movements	-	-	-	-
Balance at end of the year	10	260	1,394	1,664
Total provisions for impairment losses	10	260	1,394	1,664
Total net loans and advances	77	148,334	389,917	538,328

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Note 8 – Asset Quality (continued)

Audited 31 December 2016 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	60	172,926	531,368	704,354
Past due assets not impaired				
Less than 30 days past due	7	-	-	7
At least 30 days but less than 60 days past due	11	-	-	11
At least 60 days but less than 90 days past due	9	-	-	9
At least 90 days past due	-	-	-	-
Total past due assets not impaired	27	-	-	27
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	11	-	-	11
Amounts written off	(11)	-	-	(11)
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	87	172,926	531,368	704,381
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charge/(credit) to the statement of comprehensive income:				
New provisions	11	-	-	11
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	(11)	-	-	(11)
Balance at end of the period	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	4	179	1,068	1,251
Charge (credit) to the statement of comprehensive income	6	124	2,677	2,807
Other movements	-	-	-	-
Balance at end of the period	10	303	3,745	4,058
Total provisions for impairment losses	10	303	3,745	4,058
Total net loans and advances	77	172,623	527,623	700,323

Note 9 – Balances with Related Entity

A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Amounts due from ultimate parent	5,213	-	-
Amount due from controlled entities of ultimate parent	-	-	-
Total amount due from related entities	5,213	-	-
Current	5,213	-	-
Non-Current	-	-	-

Amounts due to ultimate parent	383,417	293,182	467,386
Amount due to controlled entities of ultimate parent	-	52,178	-
Total amount due to related entities	383,417	345,360	467,386
Current	117,497	145,750	190,201
Non-Current	265,920	199,610	277,185

Off Balance sheet transactions			
Due from parent	495	-	-
Due to parent	476	-	-

1. Nostro account balance held with parent as at 30 June 2017 is $4,731K (30 June 2016: $3,783K, 31 December 2016: $1,640K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

2. ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. 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.

B. Related party transactions

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Interest income on amount due from related entities			
Ultimate parent	18	14	18
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	18	14	18
Interest expense on amount due to related entities			
Ultimate parent	5,098	2,430	5,444
Subsidiaries of ultimate parent	-	362	621
Total interest expense on amount due to related entities	5,098	2,792	6,065
Other operating income			
Ultimate parent	(402)	(58)	(321)
Subsidiaries of ultimate parent	75	-	-

Interest payable to parent as at 30 June 2017 was $1,109K (30 June 2016: $2,141K, 31 December 2016: $1,062K), and interest payable to subsidiaries of the ultimate parent was nil (30 June 2016: $112K, 31 December 2016: nil). This is included in interest payable balance and interest paid expense.
Interest receivable from parent as at 30 June 2017 was $8K (30 June 2016: nil, 31 December 2016: nil). This is included in interest receivable balance and interest income.
Parent includes ICBC Head Office and other branches.
There is a $17,060K loan guaranteed by ICBC Shenzhen (30 June 2016: $17,628K, 31 December 2016: $17,950K).
ICBC (NZ) paid $20K consulting fee to one of the independent directors.

C. Senior management compensation

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Salaries and other short-term benefits	868	707	1,417
Other benefits	-	-	-
Total key management compensation	868	707	1,417

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Note 9 – Transactions with Related Parties (continued)

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 Regulatory Commission (CBRC) under its rules and guidelines. ICBC is not a New Zealand registered bank and is not subject to regulatory oversight by the Reserve Bank of New Zealand.

As at 31 March 2017, 68.11% of total shares in ICBC were owned by the Chinese government. The remaining 31.89% of the shares in ICBC were held by the public. ICBC shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

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

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

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

ICBC guarantees due payment of all obligations of 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 10 – 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 notes 18.

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Government	52,193	64,457	85,630
Finance (including banks)	195,549	169,188	174,846
Households	260,134	148,984	173,367
Transport and storage	72,750	16,518	71,757
Communications	15,097	15,119	15,111
Electricity, gas and water	48,660	6,817	49,235
Construction	79,509	75,406	73,531
Property services	107,648	12,897	25,701
Agriculture	6,107	6,114	6,108
Forestry, fishing and mining	175,489	185,691	181,845
Health and community services	-	-	-
Personal and other services	23	-	31
Retail and wholesale trade	77,454	22,185	18,036
Food and other manufacturing	7,020	-	-
Administration and support services	42,379	-	31,466
Less: allowance for impairment provisioning	(5,433)	(1,664)	(4,058)
Total financial assets	1,134,579	721,712	902,606
Less: non-interest earning financial assets	(19,773)	(23,236)	(106,406)
Total interest earning and discount bearing financial assets	1,114,806	698,476	796,200

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

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
New Zealand			
North Island	948,349	594,026	670,939
South Island	6,073	6,079	6,077
Overseas			
China	139,029	81,860	92,159
USA	7,381	18,651	97,801
Singapore	444	31	127
Hong Kong	25,744	19,939	18,862
Australia	935	38	5,404
Europe	6,624	1,088	6,702
Other countries	-	-	4,535
Total financial assets	1,134,579	721,712	902,606

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Note 10 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Loans and advances to customers	934,603	538,328	700,323
Trade and Other Receivables	-	-	-
Other financial assets	3,233	1,857	2,227
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	937,836	540,185	702,550
Cash and cash equivalents	41,150	86,102	156,527
Amounts due from related parties	5,213	-	-
Due from other financial institutions	102,360	80,245	2,197
Financial assets held for trading	-	-	-
Financial assets held to maturity	47,445	13,958	40,676
Available-for-sale assets	-	-	-
Derivative financial instruments	255	1,145	369
Loans and advances to customers	-	-	-
Tax Receivable	-	-	-
Other financial assets	320	77	287
Total on Balance Sheet Credit Exposures	1,134,579	721,712	902,606
Off Balance Sheet Exposures	260,401	182,271	176,317
Total Off Balance Sheet Credit Exposures	260,401	182,271	176,317

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

64.44% of the Bank's mortgage portfolio is owner-occupied residential properties (30 June 2016: 55.94%, 31 December 2016: 58.87%).

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 2016: nil, 31 December 2016: nil).

Note 10 –Concentration of Credit Risk (continued)

(i) Credit exposure to individual counterparties

Credit exposure concentrations are disclosed on the basis of actual exposures and gross of set-offs. Peak end-of-day aggregate credit exposures have been calculated using the Bank's equity at the reporting date.

The number of individual counterparties, excluding connected persons, where the period end and peak end-of-day aggregate actual credit exposures, net of individual credit impairment allowances, equalled or exceeded 10% of the Bank's shareholder's equity was:

Peak End of Day Credit Exposures	Unaudited During the 3 months period ended 30 June 2017 Number of Counterparties		Unaudited During the 3 months period ended 30 June 2016 Number of Counterparties		Audited During the 3 months period ended 31 December 2016 Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other	Bank	Other
10% - 14%	-	5	-	5	1	6
15% - 19%	2	2	-	2	-	2
20% - 24%	-	3	-	1	-	2
25% - 29%	-	3	-	2	-	1
30% - 34%	-	2	-	2	-	1
35% - 39%	-	1	-	1	-	-
40% - 44%	-	2	-	-	-	1
45% - 49%	-	1	-	-	-	-
50% - 54%	-	-	-	1	-	-
55% - 59%	-	1	-	-	-	1
60% - 64%	-	1[1]	-	-	-	-
65% - 69%	-	1	1	2	-	1
70% - 74%	-	-	-	-	-	-
75% - 79%	-	-	-	-	-	-
80% - 84%	-	-	-	1	-	1[2]
110% - 114%	-	-	-	1	-	-
165% - 169%	-	-	-	1	-	-
240% - 245%	-	-	-	1[3]	-	-

The Bank did not have any counterparties in the bands 85% through 109%, 115% through 164%, and 170% through 239%.

1 The loan classified within the 60%-64% category is 98.24% collateralised by cash deposits.
2 The loan classified within the 80%-84% category is 98.64% collateralised by cash deposits.
3 The loan classified within the 240%-245% category is 97.05% collateralised by cash deposits.

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Note 10 –Concentration of Credit Risk (continued)

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 Equity as at the reporting date.

	Unaudited As at 30 June 2017		Unaudited As at 30 June 2016		Audited As at 31 December 2016	
Credit Exposures as at Reporting Date	Number of Counterparties		Number of Counterparties		Number of Counterparties	
Percentage of Bank's Equity	Bank	Other	Bank	Other	Bank	Other
10% - 14%	2	5	-	4	1	5
15% - 19%	-	2	-	2	-	2
20% - 24%	-	3	-	1	-	3
25% - 29%	-	3	-	2	-	1
30% - 34%	-	2	-	3	-	1
35% - 39%	-	-	-	-	-	-
40% - 44%	-	2	-	-	-	1
45% - 49%	-	1	-	-	-	-
50% - 54%	-	-	-	1	-	-
55% - 59%	-	2[1]	1	-	-	1
60% - 64%	-	-	-	-	-	1[2]
65% - 69%	-	1	-	1	-	1
70% - 74%	-	-	-	-	-	-
75% - 79%	-	-	-	-	-	-
80% - 84%	-	-	-	1	-	-
110% - 114%	-	-	-	1	-	-
165% - 169%	-	-	-	1	-	-
235% - 240%	-	-	-	1[3]	-	-

The Bank did not have any counterparties in the band 85% through 109%, 115% through 164% and 170% through 234%.

Individual counterparties in the bank category exclude credit exposures to connected persons and any bank with a long-term credit rating of A- or A3 or above, or its equivalent. Individual counterparties in the "Other" category exclude credit exposures to connected persons and credit exposure to any central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent. All "Other" and all "Bank" counterparties in the table above do not have a long-term credit rating.

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

1 One of the loans classified within the 55%-59% category is 98.11% collateralised by cash deposits.

2 The loan classified within the 60%-64% category is 98.23% collateralised by cash deposits.

3 The loan classified within the 235%-240% category is 98.82% collateralised by cash deposits.

Note 11 – 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 2017 $'000	Unaudited 30 June 2016 $'000	Audited 31 December 2016 $'000
New Zealand			
Transport and storage	-	-	-
Financing investment and insurance	391,308	111,168	109,157
Electricity, gas and water	-	-	-
Food and other manufacturing	7,616	1,974	2,093
Construction	954	2,434	2,028
Communication	10	-	10
Government, local authorities and services	-	-	1,371
Agriculture	404	470	464
Forestry	92,797	140,000	100,383
Health and community services	99	-	101
Personal and other services	-	-	-
Property and business services	5,508	2,616	1,693
Education	-	-	-
Retail and wholesale trade	1,862	520	2,182
Other	5,252	3,356	4,552
Households	37,028	24,138	31,482
Overseas			
Amounts due to related parties	384,526	347,613	468,448
Financing investment and insurance (not including ICBC group)	35,035	19,753	25,375
Household	30,412	12,082	12,874
Other deposits	912	1,025	6
Total financial liabilities	993,723	667,149	762,219
Less: non-interest bearing financial liabilities	(69,613)	(126,307)	(79,352)
Total interest and discount bearing liabilities	924,110	540,842	682,867

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

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Deposits from customers	255,606	182,272	149,799
Registered Banks	1	1	1
Derivative financial liabilities	203	5,722	245
Financial Investors	-	-	-
Certificates of deposit	49,703	29,804	33,450
Debts securities issued	295,479	96,219	103,894
Related Parties	383,417	345,360	467,386
Other	9,314	7,771	7,444
Total financial liabilities	993,723	667,149	762,219

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Note 12 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Performance/financial guarantees issued on behalf of customers	7,158	8,399	7,243
Total contingent liabilities	7,158	8,399	7,243
Undrawn Commitments	253,243	173,872	169,074

Note 13 – Subsequent Events after Balance Sheet Date

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

Note 14 – Dividend

During the 6 months ended 30 June 2017 the Bank has not paid any dividends to its shareholder (30 June 2016: nil, 31 December 2016: nil).

Note 15 – Fair Value of Financial Instruments

Unaudited 30 June 2017

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	41,150	41,150
Amounts due from related parties	5,213	5,213
Due from banks and other financial institutions	102,360	102,360
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	47,445	47,529
Available-for-sale assets	-	-
Derivative financial assets	255	255
Loans and advances to customers	934,603	935,267
Other financial assets	3,553	3,553
Total financial assets	1,134,579	1,135,327
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	383,417	383,428
Financial liabilities held for trading	-	-
Derivative financial liability	203	203
Deposits from customers	255,606	255,817
Certificates of deposit	49,703	49,703
Debt securities issued	295,479	295,211
Other financial liabilities	9,314	9,314
Total financial liabilities	993,723	993,677

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Note 15 – Fair Value of Financial Instruments (continued)

Unaudited 30 June 2016

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	86,102	86,102
Amounts due from related parties	-	-
Due from banks and other financial institutions	80,245	80,245
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	13,958	14,137
Available-for-sale assets	-	-
Derivative financial assets	1,145	1,145
Loans and advances to customers	538,328	538,661
Other financial assets	1,934	1,934
Total financial assets	721,712	722,224
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	345,360	345,918
Financial liabilities held for trading	-	-
Derivative financial liability	5,722	5,722
Deposits from customers	182,272	182,809
Certificates of deposit	29,804	29,804
Debt securities issued	96,219	96,898
Other financial liabilities	7,771	7,771
Total financial liabilities	667,149	668,923

Audited 31 December 2016

Thousands of dollars	Carrying amount	Estimated Fair Value
Financial assets		
Cash, cash equivalents and balances with central banks	156,527	156,527
Amounts due from related parties	-	-
Due from banks and other financial institutions	2,197	2,197
Financial assets designated at fair value through profit or loss	-	-
Financial assets held to maturity	40,676	39,829
Available-for-sale assets	-	-
Derivative financial assets	369	369
Loans and advances to customers	700,323	700,754
Other financial assets	2,514	2,514
Total financial assets	902,606	902,190
Financial liabilities		
Due to central banks and other financial institutions	1	1
Amounts due to related parties	467,386	468,165
Financial liabilities held for trading	-	-
Derivative financial liability	245	245
Deposits from customers	149,799	150,254
Certificates of deposit	33,450	33,450
Debt securities issued	103,894	104,953
Other financial liabilities	7,444	7,444
Total financial liabilities	762,219	764,512

Note 15 – Fair Value of Financial Instruments (continued)

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

vi. The fair value of financial assets held to maturity is determined by reference to the average of quoted bid and offer price as at the reporting date.

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

K. Fair Value Measurements Recognised in the Balance Sheet

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).

Unaudited 30 June 2017

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	255	(203)	52
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	255	(203)	52

Unaudited 30 June 2016

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	1,145	(5,722)	(4,577)
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	1,145	(5,722)	(4,577)

Audited 31 December 2016

Thousands of dollars	Financial assets at fair value through profit or loss	Other financial assets	Debt securities issued	Deposits and other borrowings	Financial Liabilities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities	Total
Level 1	-	-	-	-	-	-	-	-
Level 2	-	-	-	-	-	369	(245)	124
Level 3	-	-	-	-	-	-	-	-
Total Amount	-	-	-	-	-	369	(245)	124

Note 16 – Liquidity Risk

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

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

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

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

Unaudited 30 June 2017	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial assets						
Cash, cash equivalents and balances with central banks	41,151	-	-	-	-	41,151
Amounts due from related parties	-	5,235	-	-	-	5,235
Due from banks and other financial institutions	-	102,367	-	-	-	102,367
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	7,077	1,583	42,634	-	51,294
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	72	122,322	128,973	580,626	375,857	1,207,850
Other financial assets	-	138	-	162	-	300
Total financial assets	41,223	237,139	130,556	623,422	375,857	1,408,197
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	109,337	1,739	13,334	277,497	-	401,907
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	65,570	60,460	29,289	105,425	-	260,744
Certificates of deposit	-	50,000	-	-	-	50,000
Debt securities issued	-	1,744	131,179	180,330	-	313,253
Other financial liabilities	22	94	2,739	580	-	3,435
Total financial liabilities	174,930	114,037	176,541	563,832	-	1,029,340
Net non-derivative cash flows	(133,707)	123,102	(45,985)	59,590	375,857	378,857
Derivative cash flows						
Inflows from derivatives	-	193	1,640	171	-	2,004
Outflows from derivatives	-	(395)	(1,313)	(324)	-	(2,032)
Total	-	(202)	327	(153)	-	(28)
Off balance sheet cash flows						
Financial guarantees inflows	-	-	22	-	-	22
Financial guarantees outflows	-	(37)	(4,032)	(3,089)	-	(7,158)
Commitments outflows	(246,303)	(795)	(1,525)	(4,620)	-	(253,243)
Total	(246,303)	(832)	(5,535)	(7,709)	-	(260,379)
Net cash flows	(380,010)	122,068	(51,193)	51,728	375,857	118,450

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Note 16 – Liquidity Risk (continued)

Unaudited 30 June 2016 Thousands of dollars	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Financial assets						
Cash, cash equivalents and balances with central banks	86,106	-	-	-	-	86,106
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	80,255	-	-	-	80,255
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	132	386	15,464	-	15,982
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	68	117,034	138,865	201,403	216,984	674,354
Other financial assets	5	95	-	151	-	251
Total financial assets	86,179	197,516	139,251	217,018	216,984	856,948
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	128,113	18,209	831	211,806	-	358,959
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	14,843	55,624	70,760	41,788	-	183,015
Certificates of deposit	-	30,000	-	-	-	30,000
Debt securities issued	-	309	3,258	96,976	-	100,543
Other financial liabilities	33	68	2,595	633	-	3,329
Total financial liabilities	142,990	104,210	77,444	351,203	-	675,847
Net non-derivative cash flows	(56,811)	93,306	61,807	(134,185)	216,984	181,101
Derivative cash flows						
Inflows from derivatives	-	162,741	20,564	16,211	-	199,516
Outflows from derivatives	-	(166,766)	(21,323)	(17,216)	-	(205,305)
Total	-	(4,025)	(759)	(1,005)	-	(5,789)
Off balance sheet cash flows						
Financial guarantees inflows	-	-	85	27	-	112
Financial guarantees outflows	-	(1,042)	-	(7,357)	-	(8,399)
Commitments outflows	(163,006)	(872)	(3,054)	(6,940)	-	(173,872)
Total	(163,006)	(1,914)	(2,969)	(14,270)	-	(182,159)
Net cash flows	(219,817)	87,367	58,079	(149,460)	216,984	(6,847)

Note 16 – Liquidity Risk (continued)

Audited 31 December 2016 Thousands of dollars	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Financial assets						
Cash, cash equivalents and balances with central banks	156,527	-	-	-	-	156,527
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	2,208	-	-	-	2,208
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets held to maturity	-	265	1,355	43,447	1,500	46,567
Available-for-sale assets	-	-	-	-	-	-
Loans and advances to customers	33	67,389	160,908	411,546	247,387	887,263
Other financial assets	-	90	-	157	-	247
Total financial assets	156,560	69,952	162,263	455,150	248,887	1,092,812
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	156,552	17,172	21,892	296,880	-	492,496
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from customers	17,471	24,864	65,544	43,844	-	151,723
Certificates of deposit	-	33,600	-	-	-	33,600
Debt securities issued	-	360	78,448	29,907	-	108,715
Other financial liabilities	11	202	1,933	607	-	2,753
Total financial liabilities	174,035	76,198	167,817	371,238	-	789,288
Net non-derivative cash flows	(17,475)	(6,246)	(5,554)	83,912	248,887	303,524
Derivative cash flows						
Inflows from derivatives	-	245	1,482	236	-	1,963
Outflows from derivatives	-	(456)	(1,014)	(417)	-	(1,887)
Total	-	(211)	468	(181)	-	76
Off balance sheet cash flows						
Financial guarantees inflows	-	50	22	22	-	94
Financial guarantees outflows	-	-	(4,615)	(2,950)	-	(7,565)
Commitments outflows	(160,124)	(930)	(2,703)	(5,317)	-	(169,074)
Total	(160,124)	(880)	(7,296)	(8,245)	-	(176,545)
Net cash flows	(177,599)	(7,337)	(12,382)	75,486	248,887	127,055

Note 17 – 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 2017	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	16,122	25,028	-	-	-	-	41,150
Amounts due from related parties	-	5,213	-	-	-	-	5,213
Due from banks and other financial institutions	-	102,360	-	-	-	-	102,360
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets held to maturity	-	11,460	-	-	-	35,985	47,445
Available-for-sale assets	-	-	-	-	-	-	-
Derivative financial assets	255	-	-	-	-	-	255
Loans and advances to customers	-	714,515	56,588	45,020	117,409	1,071	934,603
Other financial assets	3,396	-	-	-	-	157	3,553
Total financial Assets	19,773	858,576	56,588	45,020	117,409	37,213	1,134,579
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	357,145	-	-	-	26,272	383,417
Financial liabilities held for trading	-	-	-	-	-	-	-
Derivative financial liability	203	-	-	-	-	-	203
Deposits from customers	60,096	123,995	13,849	10,381	46,487	798	255,606
Certificates of deposit	-	49,703	-	-	-	-	49,703
Debt securities issued	-	160,509	100,000	-	-	34,970	295,479
Other financial liabilities	9,314	-	-	-	-	-	9,314
Total financial liabilities	69,613	691,353	113,849	10,381	46,487	62,040	993,723
On-balance sheet gap	(49,840)	167,223	(57,261)	34,639	70,922	(24,827)	140,856
Net derivative notional principals	-	(19,800)	25,000	(2,000)	-	(3,200)	-
Net effective interest rate gap	(49,840)	147,423	(32,261)	32,639	70,922	(28,027)	140,856

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Note 17 – Interest Rate Risk (continued)

Unaudited 30 June 2016 Thousands of dollars	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Financial assets							
Cash, cash equivalents and balances with central banks	20,308	65,794	-	-	-	-	86,102
Amounts due from related parties	-	-	-	-	-	-	-
Due from banks and other financial institutions	-	80,245	-	-	-	-	80,245
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets held to maturity	-	4,462	-	-	-	9,496	13,958
Available-for-sale assets	-	-	-	-	-	-	-
Derivative financial assets	1,145	-	-	-	-	-	1,145
Loans and advances to customers	-	433,300	26,329	65,434	12,184	1,081	538,328
Other financial assets	1,783	-	-	-	-	151	1,934
Total financial Assets	23,236	583,801	26,329	65,434	12,184	10,728	721,712
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	206,388	-	-	48,333	90,639	345,360
Financial liabilities held for trading	-	-	-	-	-	-	-
Derivative financial liability	5,722	-	-	-	-	-	5,722
Deposits from customers	112,814	8,696	4,329	14,647	41,786	-	182,272
Certificates of deposit	-	29,804	-	-	-	-	29,804
Debt securities issued	-	44,697	-	-	50,522	1,000	96,219
Other financial liabilities	7,771	-	-	-	-	-	7,771
Total financial liabilities	126,307	289,586	4,329	14,647	140,641	91,639	667,149
On-balance sheet gap	(103,071)	294,215	22,000	50,787	(128,457)	(80,911)	54,563
Net derivative notional principals	-	(106,687)	-	(9,000)	70,588	43,337	(1,762)
Net effective interest rate gap	(103,071)	187,528	22,000	41,787	57,869	(37,574)	52,801

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Note 17 – Interest Rate Risk (continued)

Audited 31 December 2016	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	103,680	52,847	-	-	-	-	156,527
Amounts due from related parties	-	-	-	-	-	-	-
Due from banks and other financial institutions	-	2,197	-	-	-	-	2,197
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets held to maturity	-	4,466	-	-	-	36,210	40,676
Available-for-sale assets	-	-	-	-	-	-	-
Derivative financial assets	369	-	-	-	-	-	369
Loans and advances to customers	-	525,452	66,836	79,012	27,946	1,077	700,323
Other financial assets	2,357	-	-	-	-	157	2,514
Total financial Assets	106,406	584,962	66,836	79,012	27,946	37,444	902,606
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	356,925	9,276	-	-	101,185	467,386
Financial liabilities held for trading	-	-	-	-	-	-	-
Derivative financial liability	245	-	-	-	-	-	245
Deposits from customers	71,663	24,536	9,846	1,091	42,663	-	149,799
Certificates of deposit	-	33,450	-	-	-	-	33,450
Debt securities issued	-	50,614	-	50,000	-	3,280	103,894
Other financial liabilities	7,444	-	-	-	-	-	7,444
Total financial liabilities	79,352	465,526	19,122	51,091	42,663	104,465	762,219
On-balance sheet gap	27,054	119,436	47,714	27,921	(14,717)	(67,021)	140,387
Net derivative notional principals	-	(47,200)	(2,500)	54,900	(2,000)	(3,200)	-
Net effective interest rate gap	27,054	72,236	45,214	82,821	(16,717)	(70,221)	140,387

Note 18 – Capital Adequacy

(a) Issued Capital
The Bank had 145,459,975 fully paid up ordinary shares (tier one capital) issued at NZ $1 per share as at 30 June 2017.

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.

(b) Other Classes of Capital Instrument
The Bank does not have any other classes of capital instrument in its capital structure.

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:

Note 18 – Capital Adequacy (continued)

- 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 2017, 30 June 2016, and 31 December 2016. 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 2017	30 June 2016	31 December 2016
Tier one capital			
Common Equity Tier one capital			
Issued and fully paid up share capital	145,460	60,378	145,460
Retained earnings	(2,992)	(4,779)	(4,966)
Accumulated other comprehensive income and other disclosed reserves	-	-	-
Interest from issue of ordinary shares	-	-	-
Less:	-	-	-
Goodwill and other intangible assets	-	(2)	-
Regulatory adjustments	-	-	-
Deferred tax assets	(1,553)	-	-
Total common equity tier one capital	140,915	55,597	140,494
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	140,915	55,597	140,494
Tier two capital			
Instruments issued by bank	-	-	-
Share premium from issue of instruments	-	-	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	-	-	-
Less: Regulatory adjustments	-	-	-
Total tier two capital	-	-	-
Total capital	140,915	55,597	140,494

The Bank currently has no capital instruments subject to phase-out eligibility as capital in terms of RBNZ's Basel III transitional arrangement.

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Note 18 – Capital Adequacy (continued)

(d) Credit Risk

30 June 2017 **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	17,208	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	34,785	20%	6,957	556
Banks rating grade 1	150,226	20%	30,045	2,403
Banks rating grade 2 (≤3 months)	4,731	20%	946	76
Banks rating grade 2 (>3 months)	2,949	50%	1,474	118
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	5,098	20%	1,020	82
Banks unrated (>3 months)	17,028	50%	8,514	681
Corporate-without recognised mitigation	559,884	100%	559,884	44,791
Corporate-secured by collateral	79,986	20%	15,997	1,280
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	165,730	35%	58,006	4,640
Residential mortgages (investment) not past due -LVR up to 80%.	92,091	40%	36,836	2,947
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	1,000	50%	500	40
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	6,473	100%	6,473	518
Total on balance sheet exposures after credit risk mitigation	1,137,189	-	726,652	58,132

Note 18 – Capital Adequacy (continued)

30 June 2017 **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	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	7,158	50%	3,579	100%	3,579	286
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	251,115	50%	125,557	100%	125,557	10,045
Other commitments where original maturity is less than or equal to one year	2,128	20%	426	100%	426	34
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	971	1%	10	100%	10	1
(b) Interest rate contracts (exposure less than 1 year)	67,120	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	3,200	0.50%	16	100%	16	1
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	331,692	-	129,588	-	129,588	10,367

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Note 18 – Capital Adequacy (continued)

30 June 2016 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	56,117	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	8,295	20%	1,659	133
Banks rating grade 1	89,223	20%	17,845	1,428
Banks rating grade 2 (≤3 months)	31,954	20%	6,391	511
Banks rating grade 2 (>3 months)	6,246	50%	3,123	250
Banks rating grade 3 (≤3 months)	-	-	-	-
Banks rating grade 3 (>3 months)	-	50%	-	-
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	2,137	50%	1,069	85
Banks unrated (≤3 months)	11,989	20%	2,398	192
Banks unrated (>3 months)	29,177	50%	14,588	1,167
Corporate-without recognised mitigation	204,357	100%	204,357	16,349
Corporate-secured by collateral	130,727	20%	26,145	2,092
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	82,971	35%	29,040	2,323
Residential mortgages (investment) not past due -LVR up to 80%.	65,363	40%	26,145	2,091
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	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	4,343	100%	4,343	347
Total on balance sheet exposures after credit risk mitigation	722,899	-	337,103	26,968

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Note 18 – Capital Adequacy (continued)

30 June 2016 **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	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	7,357	50%	3,678	100%	3,678	294
Trade-related contingency	1,042	20%	208	100%	208	17
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	170,668	50%	85,334	100%	85,334	6,827
Other commitments where original maturity is less than or equal to one year	3,204	20%	641	100%	641	51
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	162,177	1%	1,622	100%	1,622	130
(b) Interest rate contracts (exposure less than 1 year)	16,000	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	136,327	0.50%	682	100%	682	55
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	32,436	10%	3,244	100%	3,244	259
Total off-balance sheet exposures	529,211	-	95,409	-	95,409	7,633

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Note 18 – Capital Adequacy (continued)

31 December 2016 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	50,348	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	35,010	20%	7,002	560
Banks rating grade 1	112,384	20%	22,477	1,798
Banks rating grade 2 (≤3 months)	2,549	20%	510	41
Banks rating grade 2 (>3 months)	11,844	50%	5,922	474
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	2,080	100%	2,080	166
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	-	-	-	-
Banks unrated (≤3 months)	7,685	20%	1,537	123
Banks unrated (>3 months)	24,702	50%	12,351	988
Corporate-without recognised mitigation	394,144	100%	394,144	31,532
Corporate-secured by collateral	86,277	20%	17,255	1,380
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	101,619	35%	35,567	2,845
Residential mortgages (investment) not past due -LVR up to 80%.	71,004	40%	28,401	2,272
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	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	3,898	100%	3,898	312
Total on balance sheet exposures after credit risk mitigation	903,544	-	531,144	42,491

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Note 18 – Capital Adequacy (continued)

31 December 2016 **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	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	7,243	50%	3,621	100%	3,621	290
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	164,296	50%	82,148	100%	82,148	6,572
Other commitments where original maturity is less than or equal to one year	4,778	20%	956	100%	956	76
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	-	1%	-	100%	-	-
(b) Interest rate contracts (exposure less than 1 year)	75,900	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	5,200	0.50%	26	100%	26	2
Interest rate contracts (exposure more than 5 years)	-	-	-	-	-	-
(c) Other - OTC, etc.	-	-	-	-	-	-
Total off-balance sheet exposures	257,417	-	86,751	-	86,751	6,940

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

Note 18 – Capital Adequacy (continued)

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

30 June 2017

Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	257,821	1,000	-	258,821

30 June 2016

Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	148,594	-	-	148,594

31 December 2016

Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	172,623	-	-	172,623

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2017	30 June 2016	31 December 2016
Residential mortgage loans (as disclosed in Note 5)	259,523	148,594	172,926
Reconciling Items:			
Provisions for impairment losses on loans and advances	(702)	(260)	(303)
Residential mortgages by loan-to-valuation ratio	258,821	148,334	172,623

(g) Credit risk mitigation

30 June 2017 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	79,986	-
Residential mortgage	-	-
Other	-	-
Total	79,986	-

Note 18 – Capital Adequacy (continued)

30 June 2016 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	130,727	-
Residential mortgage	-	-
Other	-	-
Total	130,727	-

31 December 2016 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	86,277	-
Residential mortgage	-	-
Other	-	-
Total	86,277	-

(h) Operational risk capital requirement

30 June 2017

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	121,400	9,712

30 June 2016

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	62,675	5,014

31 December 2016

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	87,888	7,031

Note 18 – Capital Adequacy (continued)

(i) Market Risk

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

30 June 2017	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	32,600	2,608	54,650	4,372
Foreign currency risk	1,375	110	12,600	1,008
Equity risk	-	-	-	-
Total capital requirements	33,975	2,718	67,250	5,380

30 June 2017

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,468,881	856,240	68,499
Operational risk	-	121,400	9,712
Market risk	-	33,988	2,719
Total	1,468,881	1,011,628	80,930

30 June 2016	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	27,025	2,162	57,975	4,638
Foreign currency risk	113	9	10,050	804
Equity risk	-	-	-	-
Total capital requirements	27,138	2,171	68,025	5,442

30 June 2016

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,252,110	432,512	34,601
Operational risk	-	62,675	5,014
Market risk	-	27,138	2,171
Total	1,252,110	522,325	41,786

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Note 18 – Capital Adequacy (continued)

31 December 2016

Thousands of dollars	End-period capital charges: Implied risk weighted exposure	End-period capital charges: Aggregate capital charge	Peak end-to-day capital charges: Implied risk weighted exposure	Peak end-to-day capital charges: Aggregate capital charge
Interest rate risk	25,588	2,047	57,975	4,638
Foreign currency risk	988	79	17,575	1,406
Equity risk	-	-	-	-
Total capital requirements	26,576	2,126	75,550	6,044

31 December 2016

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	1,160,961	617,895	49,431
Operational risk	-	87,888	7,031
Market risk	-	26,576	2,126
Total	1,160,961	732,359	58,588

Capital ratios

Regulatory Capital Ratios	Regulatory Minimum	30 June 2017	30 June 2016	31 December 2016
Common Equity Tier 1 Capital Ratio	4.50%	13.93%	10.64%	19.18%
Tier 1 Capital Ratio	6.00%	13.93%	10.64%	19.18%
Total Qualifying Capital Ratio	8.00%	13.93%	10.64%	19.18%
RBNZ required Buffer Ratio	2.50%	5.93%	2.64%	11.18%

(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 additional buffer at 2% (30 June 2016: 2%, 31 December 2016:2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment.

Note 18 – Capital Adequacy (continued)

(k) 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 Regulatory Commission (CBRC) 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 CBRC as at 31 March 2017, 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 CBRC.

	31 March 2017	31 March 2016	31 December 2016
Ultimate Parent Bank Group			
Common Equity Tier 1 Capital Ratio	12.98%	12.87%	12.87%
Tier 1 Capital Ratio	13.51%	13.45%	13.42%
Total Capital Ratio	14.66%	14.66%	14.61%
Ultimate Parent Bank			
Common Equity Tier 1 Capital Ratio	13.06%	12.94%	12.90%
Tier 1 Capital Ratio	13.64%	13.57%	13.49%
Total Qualifying Capital Ratio	14.79%	14.79%	14.67%

Note 19 – Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the Bank has become exposed since 31 December 2016.

Note 20 - 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.

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Independent auditor's review report

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

We have reviewed pages 13 to 52 of the half year disclosure statement of Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank") which includes interim financial statements prepared and disclosed in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and supplementary information prescribed in schedules 5, 7, 9, 13, 16 and 18 of the Order.

The interim financial statements and supplementary information provide information about the past financial performance and cash flows of the Bank for the six-month period ended 30 June 2017 and its financial position as at 30 June 2017

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

Directors' responsibilities

The directors of the Industrial and Commercial Bank of China (New Zealand) Limited are responsible for the preparation and presentation of the half year disclosure statement, which includes interim financial statements prepared in accordance with Clause 25 of the Order and NZ IAS 34 *Interim Financial Reporting* ("NZ IAS 34"), which present fairly, in all material respects, the financial position of the Bank as at 30 June 2017 and its financial performance and cash flows for the six-month period ended on that date.

The directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the half year disclosure statement that is free from material misstatement whether due to fraud or error.

They are also responsible for the preparation of supplementary information in the half year disclosure statement which fairly states the matters to which it relates in accordance with schedules 5, 7, 9, 13, 16 and 18 of the Order.

Our responsibilities

Our responsibility is to express an independent review opinion on the half year disclosure statement, which includes interim financial statements disclosed in accordance with Clause 25 of the Order, and supplementary information disclosed in accordance with schedules 5, 7, 9, 13, 16 and 18 of the Order, as presented to us by the Directors, and report our opinion to you.

We are responsible for reviewing the interim financial statements (excluding the supplementary information) in order to report to you whether, in our opinion, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and do not present fairly, in all material respects, the financial position of the Bank as at 30 June 2017 and its financial performance and cash flows for the six-month period ended on that date.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with schedules 5, 7, 13, 16 and 18 of the Order.

We are responsible for reviewing the supplementary information relating to capital adequacy in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the information disclosed in accordance with schedule 9 is not, in all material respects, prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

Basis of opinion

We have performed our review in accordance with the review engagement standard NZ Standard on Review Engagements 2410, *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410') issued by the External Reporting Board. As the auditor of the Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review is limited primarily to enquiries of the Bank's personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Our firm has also provided other services to the Bank in relation to review and other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. These matters have not impaired our independence as auditor of the Bank for this engagement. The firm has no other relationship with, or interest in, the Bank.

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Review opinion

We have examined the interim financial statements and supplementary information and based on our review nothing has come to our attention that causes us to believe that:

a) the interim financial statements on pages 13 to 52 (excluding the supplementary information disclosed in accordance with schedules 5, 7, 9, 13, 16 and 18 of the Order) have not been prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and do not present fairly, in all material respects, the financial position of the Bank as at 30 June 2017 and its financial performance and cash flows for the six month period ended on that date;

b) the supplementary information disclosed in accordance with schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state, in all material respects, the matters to which it relates in accordance with those schedules; and

c) the supplementary information relating to capital adequacy disclosed in accordance with schedule 9 of the Order, is not, in all material respects prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with schedule 9 of the Order.

Our review was completed on 28 August 2017 and our opinion is expressed as at that date.

KPMG

28 August 2017
Auckland