INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the six months ended 30 June 2020



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 2020 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

- "Bank", "Registered Bank" or "ICBC (NZ)" means Industrial and Commercial Bank of China (New Zealand) Limited;
- "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;
- "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, "EUR" means the European Dollar and "AUD" means the Australian Dollar;
- "Board" means the board of directors of the Bank: and
- 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 2020 form part of and should be read in conjunction with this Disclosure Statement.

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

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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 and Insurance Regulatory Commission (CBIRC) and the Government of the People's Republic of China (China).

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 2020, 66.14% of total shares in ICBC are owned by the Chinese government. The remaining 33.86% 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 2019. 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 quarantor (Parent)

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 2020, the most recent publicly disclosed (unaudited) capital of ICBC was RMB 2,780,294 million (per first quarterly report financial - unaudited) (NZ\$612,221 million), representing 16.52% 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	Moody's Investors	Standard & Poor's	Fitch IBCA, Inc.
Results	Service, Inc.	Corporation	
Long-term Foreign	A1 (Upper-medium	A (Strong Capacity to meet	A (Strong Capacity to meet
Currency Bank Deposits	grade and low credit	obligation but subject to	obligation but vulnerable to adverse
Rating	risk)	adverse economic conditions)	business or economic conditions)
Short-term Foreign	P-1 (Superior ability to	A-1 (susceptible to adverse	F1+ (strongest capacity for timely
Currency Bank Deposits	repay short-term debt)	economic conditions but	payment of financial commitments)
Rating		satisfactory capacity to meet	
		obligations)	
Outlook	Stable	Stable	Stable

(c) Rating movement history

There has not been any Standard & Poor's Credit and Moody's Credit rating movement in the last 2 years.

On 9 Jan 2020, Fitch has upgraded ICBC's Short term Foreign currency bank deposits rating to F1+ from F1, reflecting the central government's ownership, a long history of state support, and its status as the largest bank in China.

Details of the guaranteed obligations (Parent)

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

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

Directors

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

The Board comprises:

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

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

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

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

That-

- 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%;
- the Total capital of the banking group is not less than \$30 million;
- 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
- the bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

For the purposes of this condition of registration, —

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

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

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

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

1A. That-

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

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

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

For the purposes of this condition of registration,—

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

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

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

For the purposes of this condition of registration,—

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

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

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

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.

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
- 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;
- 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.

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.

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.

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

- 6. That the bank complies with the following corporate governance requirements:
 - the board of the bank must have at least five directors;
 - the majority of the board members must be non-executive directors;
 - at least half of the board members must be independent directors; (c)
 - an alternate director,-
 - (i) for a non-executive director must be non-executive; and
 - (ii) for an independent director must be independent;
 - at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
 - the chairperson of the board of the bank must be independent;
 - 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);
 - that the business and affairs of the bank are managed by, or under the direction or supervision of, the board of (h) 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.

- 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.
- 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.
- That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
 - the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
 - the committee must have at least three members;
 - every member of the committee must be a non-executive director of the bank; (c)
 - the majority of the members of the committee must be independent; and
 - 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:
 - the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
 - the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business (b) day; and
 - the one-year core funding ratio of the banking group is not less than 50 per cent at the end of each business day. (c)

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

- 12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
 - is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
 - identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk
 - identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
 - 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-

- to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
- who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond;
- (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:
 - 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
 - at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
- (b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
 - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
 - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
 - (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

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

In 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.

Changes in Condition of Registration:

- 1. Removal of Loan to Value Ratio (LVR) speed limit restriction on new property-investment residential mortgage loans and non-property-investment residential mortgage loans.
- 2. Reduction of core fund ratio from 75% to 50%.
- 3. Restriction on distribution of earnings.

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC NZ Rating Information

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

Rating Agency/Rating Results	Standard & Poor's Ratings Services	Moody's Investors Service, Inc.
Long-term credit Rating	А	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 longterm 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.
А	Α	Α	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	ВВ	Ва	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
В	В	В	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.

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.

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.

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
 - The Disclosure Statement is not false or misleading.
- 2. During the six months ended 30 June 2020:

 - (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
 - The Registered Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 27 August 2020 and has been signed by Qian Hou and Donald Thomas Brash as the responsible persons for and on behalf of all the Directors (by Directors' resolution):

Qian Hou

Executive Director

Donald Thomas Brash Chairman/Independent Director

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the six months ended 30 June 2020

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STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	Unaudited	Audited
Thousands of dollars	Note	30 June 2020 6 months	30 June 2019 6 months	31 December 2019 12 months
Interest income*		36,626	42,513	83,334
Interest expense		(21,444)	(25,159)	(48,847)
Net interest income		15,182	17,354	34,487
Net gains/(losses) on financial instruments at fair value through P&L		13,474	247	123
Fees and other income/(losses)	2	(7,423)	332	1,217
Total operating income		21,233	17,933	35,827
Operating expense		(8,203)	(8,573)	(18,756)
Impairment provisioning on financial assets	3	(151)	817	14,919
Net profit/(loss) before taxation		12,879	10,177	31,990
Taxation expense	4	(3,607)	(2,853)	(9,016)
Net profit/(loss) after taxation		9,272	7,324	22,974
Other comprehensive income		-	-	-
Total comprehensive income		9,272	7,324	22,974

 $^{^{\}star}\mbox{All}$ interest income is calculated using the effective interest method.



STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the six months ended 30 June 2020 (unaudited)				
Balance at the 31 December 2019		233,540	23,509	257,049
Capital injection from shareholders		-	-	-
Net profit/(loss) for the period		-	9,272	9,272
Total equity movement for the period		-	9,272	9,272
Balance at 30 June 2020		233,540	32,781	266,321
For the six months ended 30 June 2019 (unaudited)				
Balance at the 31 December 2018		233,540	535	234,075
Capital injection from shareholders		-	-	-
Net profit/(loss) for the period		-	7,324	7,324
Total equity movement for the period		-	7,324	7,324
Balance at 30 June 2019		233,540	7,859	241,399
For the year ended 31 December 2019 (audited)				
Balance at 31 December 2018		233,540	535	234,075
Capital injection from shareholders		-	-	-
Net profit/(loss) for the year		-	22,974	22,974
Total equity movement for the year		-	22,974	22,974
Balance at 31 December 2019		233,540	23,509	257,049



STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Assets				
Cash, cash equivalents and balances with central banks		364,738	77,144	107,297
Amounts due from related parties	10	2,287	13,831	23,150
Due from banks and other financial institutions		183,900	267,910	226,362
Investment securities		189,154	205,947	182,868
Derivative Financial Assets		20,156	3,690	4,164
Loans and advances to customers	5,9	1,681,432	1,655,468	1,717,679
Right-of-use assets		8,076	7,967	8,119
Property, plant and equipment		81	70	52
Intangible assets		10		12
Deferred tax assets		5,231	8,579	4,832
Other assets		5,018	6,193	6,981
Total assets		2,460,083	2,246,799	2,281,516
Liabilities				
Due to central banks and other financial institutions		1	202, 303 séanta an 1 32	b) see en y
Amounts due to related parties	10	691,051	306,628	396,015
Derivative Financial Liabilities		4,662	3,346	3,815
Deposits from customers	6	797,628	840,286	814,845
Certificates of Deposit	7	42,427	92,975	47,697
Subordinated loans due to related parties	8	70,000	70,000	70,000
Debt securities issued	7	560,914	661,668	661,440
Lease liabilities		8,389	8,008	8,356
Current tax payable		338	1,614	3,090
Deferred tax liabilities		1,321	19	Property States to
Other liabilities		17,031	20,855	19,208
Total liabilities		2,193,762	2,005,400	2,024,467
Shareholder's equity				
Share capital		233,540	233,540	233,540
Reserves		32,781	7,859	23,509
Total shareholder's equity		266,321	241,399	257,049
Total shareholder's equity and liabilities	359 1-1435 1521 encycles as a section	2,460,803	2,246,799	2,281,516
Total interest earning and discount bearing assets	18	2,428,772	2,239,109	2,257,821
Total interest and discount bearing liabilities	18	2,122,858	1,922,243	1,942,090

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

These financial statements were approved by the directors on 27 August 2020 and are signed on their behalf by:

Qian Hou Executive Director Donald Thomas Brash
Chairman/Independent Director





STATEMENT OF CASH FLOWS

		Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Thousands of dollars	Note	6 months	6 months	12 months
Cash flows from operating activities				
Interest income		38,314	43,685	83,940
Fees and other income/(losses)		(5,371)	243	1,124
Interest expense		(22,316)	(25,643)	(51,638)
Long-term lease payments		(638)	(468)	(1,146)
Variable lease		(3)	-	(6)
Personnel expense		(6,368)	(5,306)	(10,889)
Other operating expense		(1,595)	(1,974)	(5,208)
Taxes paid		(5,437)	(5,460)	(6,420)
Net cash flows from operating activities before changes in operating assets and liabilities		(3,414)	5,077	9,757
Changes in operating assets and liabilities arising from cash flow movements:				
(Increase)/decrease in loans and advances to customers		35,558	38,862	(9,165)
Increase/(decrease) in deposits from customers		(17,217)	204,297	178,856
Increase/(decrease) in amounts due to related parties		169,615	(201,708)	(90,700)
Increase/(decrease) in other liabilities		36	(107)	28
(Increase)/decrease in amounts due from related parties		21,199	(3,595)	(12,914)
Increase/(decrease) in certificates of deposit		(5,270)	(43,176)	(88,454)
Net change in operating assets and liabilities		203,921	(5,427)	(22,349)
Net cash flows from operating activities		200,507	(350)	(12,592)
		·	· ,	
Cash flows from investing activities				
Purchase of property, plant and equipment		(48)	(5)	(7)
Purchase of intangible assets		-	-	(14)
Purchase of financial securities		(6,646)	(94,957)	(72,216)
Net cash flows from investing activities		(6,694)	(94,962)	(72,237)
Cash flows from financing activities				
Capital injection from shareholders		-	-	-
Increase in subordinated loans due to related parties		-	-	-
Increase/(decrease) in debt securities issued		(101,000)	199,920	199,760
Net cash flows from financing activities		(101,000)	199,920	199,760
Increase/(decrease) in cash and cash equivalents		92,813	104,608	114,931
Cash and cash equivalents at beginning of year		266,407	151,604	151,604
Effect of exchange rate changes on cash and cash equivalents		(3,255)	(31)	(128)
Cash and cash equivalents		355,965	256,181	266,407
Cash and cash equivalents at end of the period comprised:				
Cash, cash equivalents and balances with central banks		364,738	77,144	107,297
Due from banks and other institutions classified as cash equivalents		183,900	267,910	226,362
Due to central banks and other financial institutions classified as cash and cash equivalents		(1)	(1)	(1)
Amount due to related parties classified as cash and cash equivalents		(192,672)	(88,872)	(67,251)
Total cash and cash equivalents		355,965	256,181	266,407



STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Thousands of dollars	6 months	6 months	12 months
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit/(loss) after taxation	9,272	7,324	22,974
Non cash movements:			
Unrealised fair value adjustments	(4,717)	348	567
Depreciation	19	37	57
Amortisation of intangibles	2	-	2
Amortisation of ROU assets	598	485	1,040
Amortisation of financial instruments	359	340	676
Gain/loss on modification of lease contracts	-	-	124
Increase/(decrease) in allowance for impairment losses	153	(827)	(14,928)
Loss on written-off financial assets	-	10	9
Bad debts recovery	(2)	-	-
Unrealised foreign exchange gain/(loss)	(6,705)	(684)	(906)
(Increase)/decrease in deferred taxation	922	231	3,959
Amortisation of debt securities issued	6	(1)	26
Increase/(decrease) in operating assets and liabilities	(9,365)	(61)	(9,374)
(Increase)/decrease in interest receivable	1,720	1,361	615
Increase/(decrease) in interest payable	(995)	(597)	(3,037)
(Increase)/decrease in loans and advances to customers	35,558	38,862	(9,165)
Increase/(decrease) in deposits from customers	(17,217)	204,297	178,856
Increase/(decrease) in certificates of deposit	(5,270)	(43,176)	(88,454)
Increase/(decrease) in lease liabilities	(522)	(355)	(927)
Increase/(decrease) in other liabilities	(644)	(495)	220
Increase/(decrease) in amounts due to related parties	169,615	(201,708)	(90,700)
(Increase)/decrease in current taxation	(2,752)	(2,839)	(1,363)
(Increase)/decrease in other assets	(92)	632	677
(Increase)/decrease in amounts due from related parties	21,199	(3,595)	(12,914)
Net cash flows from operating activities	200,507	(350)	(12,592)



STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2020 (unaudited)

		Non-cash changes						
	31 December 2019	Net Cashflow	Amortisation	Foreign Exchange movement	30 June 2020			
Subordinated loans due to related parties	70,000	-	-	-	70,000			
Debt securities issued	661,440	(101,000)	6	468	560,914			
Total liabilities from financing activities	731,440	(101,000)	6	468	630,914			

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2019 (unaudited)

		Non-cash changes							
	31 December 2018	Net Cashflow	Amortisation	Foreign Exchange movement	30 June 2019				
Subordinated loans due to related parties	70,000	-	-	-	70,000				
Debt securities issued	461,826	199,920	-	(78)	661,668				
Total liabilities from financing activities	531,826	199,920	-	(78)	731,668				

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2019 (audited)

		Non-cash changes							
	31 December 2018	Net Cash flow	Amortisation	Foreign Exchange movement	31 December 2019				
Subordinated loans due to related parties	70,000	-	-	-	70,000				
Debt securities issued	461,826	199,760	26	(172)	661,440				
Total liabilities from financing activities	531,826	199,760	26	(172)	731,440				





Note 1 - 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 2020.

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

They were approved for issue by the Directors on 27 August 2020. 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 2020. 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 2019. These interim financial statements do not include all the disclosures required for full annual financial statements and are condensed financial statements in accordance with NZ IAS 34.

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

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

(3) Presentation Currency

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

(4) Critical accounting estimates and judgments

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

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

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

- Impairment Allowance: determining inputs into the ECL measurement model, including incorporation of forward-looking information and recoverable cash flows.
- Fair value of derivatives
- Deferred taxation

Estimation uncertainties:

Assumptions made as at each reporting date (e.g. the calculation of the provision for doubtful debts and fair value adjustments), are based on best estimates at that date. Although the Bank has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates.

The ongoing COVID-19 pandemic is changing continuously and there are increased uncertainties around the duration, scale and impact of the COVID-19 outbreak. The Bank is taking various measures to mitigate the impact of COVID-19 on its operations, and the Board and management team continue to assess the potential impacts on the business.





Note 1 - Statement of Accounting Policies (continued)

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported should be considered as a best estimate within a range of possible estimates. The Bank regularly undertakes a range of macro-economic, scenario-based stress tests on its portfolio to assess probability of default shifts which in turn provide an estimate of potential future credit losses. The appropriateness of the underlying assumptions used in these stress tests is reviewed on a regular basis against actual experience and other relevant evidence and adjustments are made to the provisions where appropriate.

The fair value of derivatives are measured from inputs that are observable for the assets and liabilities either directly or indirectly from the market.

Based on the latest forecast, the future taxable profits are in excess of the gross balance of the deductible temporary differences as at 30 June 2020.

(5) Changes in accounting policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2019.

There is no new amendment to standard relevant to the Bank as at 30 June 2020.

(6) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement comparative affected is: Statement of Cashflow as at 30 June 2019.



Note 2 - Other Income

Thousands of dollars	Unaudited 30 June 2020 6 months	Unaudited 30 June 2019 6 months	Audited 31 December 2019 12 months
Banking and lending fee income	327	400	917
Payment services fee income	290	352	681
Net foreign exchange gains/(losses)	(8,040)	(439)	(276)
Gain/(loss) on modification of lease	-	-	(124)
Other revenue	-	19	19
Total other income	(7,423)	332	1,217

Note 3 - Impairment Allowance

Unaudited 30 June 2020

Impairment allowance

	Other							
	exposures				Due from	Loan		
	excluding				banks and	commitments		
Thousands of dollars	sovereigns	Retail	Corporate		other	and financial		Total as at
Thousands of dollars		Mortgage	and	Investment	financial	guarantee	and cash	30 June
-	central banks	Lending	institutional	securities	institutions	contracts	equivalents	2020
Provision for credit impairment								
measured on a 12-month ECL	1	2,164	6,783	9	1	437	=	9,395
(stage 1) - collective								
Provision for credit impairment								
measured on a lifetime ECL	_	_	_	_	_	_	_	_
not credit impaired (stage 2) -								
collective								
Provision for credit impairment								
measured on a lifetime ECL	_	_	_	_	_	_	_	_
credit impaired (stage 3) -	_	=	_	_	_	_	_	_
collective								
Provision for credit impairment								
measured on a lifetime ECL		570	3,425					3,995
credit impaired (stage 3) -	-	370	3,423	-	_	-	-	3,993
specific								
Balance as at 30 June 2020	1	2,734	10,208	9	1	437	=	13,390



Unaudited 30 June 2019 Impairment allowance

	Other							
	exposures				Due from	Loan		
	excluding	D-4-11	0		banks and	commitments	0	T-4-14
Thousands of dollars	sovereigns	Retail	Corporate	Investment	other financial	and financial		Total as at 30 June
	central banks	Mortgage Lending	and institutional	Investment securities	institutions	guarantee	and cash equivalents	2019
Provision for credit impairment	contrai banks	Londing	motitational	Securities	motitutions	contracts	equivalents	2010
measured on a 12-month ECL	1	2,589	3,708	7	_	896	-	7,201
(stage 1) - collective		•	•					,
Provision for credit impairment								
measured on a lifetime ECL	_	_	_	_	_	_	_	_
not credit impaired (stage 2) -								
collective								
Provision for credit impairment								
measured on a lifetime ECL	-	-	-	-	-	-	-	-
credit impaired (stage 3) - collective								
Provision for credit impairment								
measured on a lifetime ECL								
credit impaired (stage 3) -	-	462	19,675	-	-	-	-	20,137
specific								
Balance as at 30 June 2019	1	3,051	23,383	7	-	896	-	27,338

Audited 31 December 2019

Impairment allowance

	Other							
	exposures				Due from	Loan		
	excluding				banks and	commitments		Total as at
Thousands of dollars	sovereigns	Retail	Corporate		other	and financial	Cash	31
Thousands of dollars		Mortgage	and	Investment	financial	guarantee		December
	central banks	Lending	institutional	securities	institutions	contracts	equivalents	2019
Provision for credit impairment								
measured on a 12-month ECL	1	2,314	5,942	8	1	976	-	9,242
(stage 1) - collective								
Provision for credit impairment								
measured on a lifetime ECL								
not credit impaired (stage 2) -	_	_	_	_	_	_	_	_
collective								
Provision for credit impairment								
measured on a lifetime ECL								
credit impaired (stage 3) -	-	-	-	-	-	-	-	-
collective								
Provision for credit impairment								
measured on a lifetime ECL		570	0.405					0.005
credit impaired (stage 3) -	-	570	3,425	-	-	-	-	3,995
specific								
Balance as at 31 December								
2019	1	2,884	9,367	8	1	976	-	13,237



Unaudited 30 June 2020					
Movement in provision for credit impairment	Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
Thousands of dollars	provision)	provision)	provision)	Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,314	_	-	570	2,884
Changes to the opening balance due to transfer between ECL stages	,-				,
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in	(150)	-	-	-	(150)
current year Bad debts written off	` _	_	_	_	` ,
Bad debts recovered	_	_	_	_	_
Balance as at 30 June 2020	2,164	_	-	570	2,734
	_,,,,,				
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year		-	-	(2)	(2)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	2	2
Balance as at 30 June 2020	1	-	-	=	1
Corporate and institutional					
Balance at beginning of period	5,942	_	_	3,425	9,367
Changes to the opening balance due to transfer between ECL stages	0,012			0, 120	0,001
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	841	-	-	-	841
Bad debts written off	-	-	-	-	-
Balance as at 30 June 2020		-	-	- 0.405	-
Balance as at 30 June 2020	6,783	-	-	3,425	10,208
Investment securities					
Balance at beginning of period	8	-	-	-	8
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2 Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in	-	-	-	-	-
current year	1	-	-	-	1
Bad debts written off	=	-	-	-	-
Bad debts recovered					
Dau debis lecovered	-	-	-	-	



Unaudited 30 June 2020 Movement in provision for credit impairment	Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
Thousands of dollars	provision)	provision)	provision)	Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	1	-	=	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	=	-	=	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	=	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2020	1	-	-	-	1
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	976	-	-	-	976
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	=	-	-
Charge to statement of comprehensive income in current year	(539)	-	-	-	(539)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2020*	437	-	-	-	437
Total charges to statement of comprehensive income in current year	153	-	-	(2)	151
Total impairment allowance as at 30 June 2020	9,395	-	-	3,995	13,390

 $^{{}^{\}star}\text{The provision for loan commitments and financial guarantee contracts is included in other liabilities}.$



Unaudited 30 June 2019					
Movement in provision for credit impairment	Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
Thousands of dollars	provision)	provision)	provision)	Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,898	_	-	307	3,205
Changes to the opening balance due to transfer between ECL stages	_,				-,
Transfer to stage 1	=	-	-	=	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in	(309)	_	-	155	(154)
current year	()				(- /
Bad debts written off	=	-	-	=	-
Balance as at 20 June 2010	2.500	-	-	462	2.051
Balance as at 30 June 2019	2,589	-	-	462	3,051
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	-	=	-	14	14
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	1	-	-	(4)	(3)
Bad debts written off	_	_	=	(10)	(10)
Bad debts recovered	_	_	_	-	(10)
Balance as at 30 June 2019	1	-	-	-	1
Corporate and institutional	0.700			10.075	00.404
Balance at beginning of period	3,789	-	-	19,675	23,464
Changes to the opening balance due to transfer between ECL stages Transfer to stage 1	_	_	_	_	_
Transfer to stage 1 Transfer to stage 2	_		_	_	_
Transfer to stage 3	_	_	_	_	_
Charge to statement of comprehensive income in current year	(81)	-	-	-	(81)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2019	3,708	-	-	19,675	23,383
Investment securities					
Balance at beginning of period	7	-	-	-	7
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	=	=	-	-
Bad debts recovered		-	=	-	
Balance as at 30 June 2019	7	-	-	-	7



Unaudited 30 June 2019					
Movement in provision for credit impairment	Stage 1 (Collective	Stage 2 (Collective	Stage 3 (Collective	Stage 3 (Specific	
Thousands of dollars	provision)	provision)	provision)	Provision)	Total
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,475	-	-	-	1,475
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	=	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(579)	-	-	-	(579)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2019	896	-	-	-	896
Total charges to statement of comprehensive income in current year	(968)	_		151	(817)
Total impairment allowance as at 30 June 2019	7,201	-	-	20,137	27,338



Novement in provision for credit impairment Stage Coolective C	Audited 31 December 2019					
Residential mortgage lending Balance at beginning of period 2,898	Movement in provision for credit impairment					
Balance at beginning of period 2,898 307 3,205	Thousands of dollars	provision)	provision)	provision)		Total
Balance at beginning of period 2,898 307 3,205	Residential mortgage lending					
Change so the opening balance due to transfer between ECL stages 1		2.898	_	_	307	3.205
Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Charge/(Recovery) to statement of comprehensive income in current year Bad debts mitten off Bad cebts written off Bad cebts recovered Bad cebts recovered between ECL stages Transfer to stage 3 Charge/(Recovery) to statement of comprehensive income in current year Bad nebts recovered Bad cebts recovered Bad cebts recovered Balance as as as 31 December 2019 2,314 2,314 3,	Changes to the opening balance due to transfer	_,000			33.	0,200
Transfer to stage 3	•	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year Sad debts written off Sad	Transfer to stage 2	-	-	-	-	-
Sead debts written off Sead debts recovered Sead debts written off	Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2019 2,314	income in current year	(584)	-	-	263	(321)
Salance as at 31 December 2019 2,314		-	-	-	-	-
Other exposures excluding sovereigns and central banks Balance at beginning of period		2 21 4	-	-	- 570	2 00 4
Balance at beginning of period 1 14 14 Changes to the opening balance due to transfer between ECL stages Transfer to stage 1 . <t< td=""><td>Balance as at 31 December 2019</td><td>2,314</td><td>-</td><td>-</td><td>570</td><td>2,004</td></t<>	Balance as at 31 December 2019	2,314	-	-	570	2,004
Changes to the opening balance due to transfer between ECL stages Transfer to stage 1						
Transfer to stage 1	Balance at beginning of period	-	-	-	14	14
Transfer to stage 2 -	between ECL stages					
Transfer to stage 3	•	=	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year Bad debts written off - (9) (9)	G	-	-	-	-	-
Income in current year	8	-	-	-	-	-
Bad debts written off -		1	-	-	(5)	(4)
Corporate and institutional Balance at beginning of period 3,789 - 19,675 23,464 Changes to the opening balance due to transfer between ECL stages Transfer to stage 2 - 1 - 10,000	· · · · · · · · · · · · · · · · · · ·	-	-	_	(9)	(9)
Corporate and institutional Balance at beginning of period 3,789 - 19,675 23,464 Changes to the opening balance due to transfer between ECL stages - - - - - Transfer to stage 1 - <t< td=""><td>Bad debts recovered</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></t<>	Bad debts recovered	-	-	-	-	-
Balance at beginning of period 3,789 - 19,675 23,464 Changes to the opening balance due to transfer between ECL stages - <	Balance as at 31 December 2019	1	-	-	-	1
Balance at beginning of period 3,789 - 19,675 23,464 Changes to the opening balance due to transfer between ECL stages - <	Cornorate and institutional					
Changes to the opening balance due to transfer between ECL stages Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts written off Bad debts recovered Balance as at 31 December 2019 Investment securities Balance at beginning of period Transfer to stage 1 Transfer to stage 1 Transfer to stage 2 Transfer to stage 1 Transfer to stage 2 Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Transfer to stage 3 Transfer to stage 3 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening balance due to transfer between 1 That is the opening bala	•	3 789	_	_	19 675	23 464
Transfer to stage 1 -	Changes to the opening balance due to transfer	0,700			10,070	20,404
Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts written off Bad debts recovered Balance as at 31 December 2019 Investment securities Balance at beginning of period Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts written off Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts recovered Transfer to stage 1 Charge to statement of comprehensive income in current year Bad debts recovered Transfer to stage 2 Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts recovered Transfer to stage 3 Transfer to stage 4 Transfer to stage 4 Transfer to stage 4 Transfer to stage 5 Transfer to stage 5 Transfer to stage 5 Transfer to stage 6 Transfer to stage 6 Transfer to	•	-	-	-	-	-
Charge to statement of comprehensive income in current year Bad debts written off Bad debts recovered Balance as at 31 December 2019 Investment securities Balance at beginning of period Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts written off Bad debts written off Bad debts written off Balance at beginning of comprehensive income in current year Bad debts recovered - (16,250) (14,097) - (16,250)	Transfer to stage 2	-	-	-	-	-
Current year 2,153 - - (16,250) (14,097)	Transfer to stage 3	-	-	-	-	-
Bad debts recovered	current year	2,153	-	-	(16,250)	(14,097)
Investment securities Salance at beginning of period 7 - - - 7 7 Changes to the opening balance due to transfer between ECL stages Transfer to stage 1 - - - - - - - - -		-	-	-	-	=
Investment securities Balance at beginning of period 7 7 Changes to the opening balance due to transfer between ECL stages Transfer to stage 1		-	-	-	-	-
Balance at beginning of period77Changes to the opening balance due to transfer between ECL stagesTransfer to stage 1Transfer to stage 2Transfer to stage 3Charge to statement of comprehensive income in current year11Bad debts written offBad debts recovered	Balance as at 31 December 2019	5,942	-	-	3,425	9,367
Changes to the opening balance due to transfer between ECL stages Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts written off Bad debts recovered Transfer to stage 3	Investment securities					
between ECL stages Transfer to stage 1 -		7	-	=	-	7
Transfer to stage 2 - - - - - Transfer to stage 3 - - - - - Charge to statement of comprehensive income in current year 1 - - - 1 Bad debts written off - - - - - - Bad debts recovered - - - - - -	between ECL stages					
Transfer to stage 3 Charge to statement of comprehensive income in current year Bad debts written off Bad debts recovered 1 1	_	-	-	-	-	-
Charge to statement of comprehensive income in current year Bad debts written off Bad debts recovered 1	-	-	-	-	-	-
current year Bad debts written off Bad debts recovered	<u> </u>	-	-	-	-	-
Bad debts written off Bad debts recovered		1	-	=	=	1
	•	-	-	-	-	-
Balance as at 31 December 2019 8 8	Bad debts recovered	-	-	-	-	-
	Balance as at 31 December 2019	8	-		=	8



Audited 31 December 2019 Movement in provision for credit impairment	Stage 1	Stage 2	Stage 3	Stage 3	
Thousands of dollars	(Collective provision)	(Collective provision)	(Collective provision)	(Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period Changes to the opening balance due to transfer between ECL stages	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	
Balance as at 31 December 2019	1	-	-	-	1
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period Changes to the opening balance due to transfer between ECL stages	1,475	-	-	-	1,475
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(499)	-	-	-	(499)
Bad debts written off	-	-	-	-	-
Bad debts recovered		-	=		-
Balance as at 31 December 2019	976	-	-	-	976
Total charges to statement of comprehensive income in current year	1,073	-	-	(15,992)	(14,919)
Total impairment allowance as at 31 December 2019	9,242	-	-	3,995	13,237



Note 4 - Taxation

Consistent with NZ IAS 12 the Bank has recognised total tax benefits of \$5,231K as at 30 June 2020 (30 June 2019: \$8,579K, 31 December 2019: \$4,832K). The majority of the tax benefits recognised relate to the allowance for impairment losses, accelerated depreciation, and other provisions.

Thousands of dollars	Unaudited 30 June 2020 6 months	Unaudited 30 June 2019 6 months	Audited 31 December 2019 12 months
Net profit/(loss) before taxation	12,879	10,177	31,990
Tax calculated at a tax rate of 28%	3,606	2,850	8,957
Over/(under) provision from prior period	(1)	-	-
Temporary differences not recognised	-	(232)	-
Utilisation of tax losses previously unrecognised	=	-	-
Other permanent differences	2	3	59
Taxation charge/(benefit) as per the statement of comprehensive income	3,607	2,621	9,016
Represented by:			
Current tax	2,685	2,621	5,057
Deferred tax	922	232	3,959
Taxation charge/(benefit) as per the statement of comprehensive income	3,607	2,853	9,016

Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Residential mortgage loans	453,057	544,788	484,510
Corporate exposures	1,241,273	1,137,007	1,245,356
Credit Cards	45	108	65
Other exposures	-	-	-
Allowance for impairment losses	(12,943)	(26,435)	(12,252)
Total net loans and receivables	1,681,432	1,655,468	1,717,679
Current	410,998	301,891	379,897
Non-Current	1,270,434	1,353,577	1,337,782

Note 6 – Deposits from Customers

	Unaudited	Unaudited	Audited
Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Demand deposits not bearing interest	47,552	57,323	56,264
Demand deposits bearing interest	27,100	24,293	32,530
Term deposits	722,976	758,670	726,051
Total deposits	797,628	840,286	814,845
Current	770,211	732,795	732,633
Non-Current	27,417	107,491	82,212

Note 7 - Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Certificates of deposit (CDs)	42,427	92,975	47,697
Other debt securities	560,914	661,668	661,440
Total debt securities issued	603,341	754,643	709,137
Current	377,463	193,975	306,576
Non-Current	225,878	560,668	402,561





Note 8 - Subordinated Loans due to Related Parties

	Unaudited	Unaudited	Audited
Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Subordinated loans due to related parties	70,000	70,000	70,000
Total debt securities issued	70,000	70,000	70,000
Current	-	-	-
Non-Current	70,000	70,000	70,000

The subordinated loan due to related parties of NZ\$70m as at 30 June 2020 are 5-year term of unsecured debts.

Note 9 - Asset Quality

Unaudited 30 June 2020	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	41	452,512	1,232,919	1,685,472
Past due assets not impaired				
Less than 30 days past due	4	-	-	4
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	4	=	-	4
Individually impaired assets				
Balance at beginning of the year	-	545	7,947	8,492
Additions	2	-	407	409
Amounts written off	-	-	-	-
Reversal of impairment	(2)	-	-	(2)
Total individually impaired assets	-	545	8,354	8,899
Total gross loans and advances	45	453,057	1,241,273	1,694,375
Individually assessed provisions				
Balance at beginning of the year	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	-	-	-
Reversals of previously recognised impairment losses	(2)	-	-	(2)
Amounts recovered	2	-	-	2
Amounts written off	=	=	=	-
Balance at end of the period	=	570	3,425	3,995
Collectively assessed provisions				
Balance at beginning of the year	1	2,314	5,942	8,257
Charge/(credit) to the statement of comprehensive income	=	(150)	841	691
Other movements	=		-	
Balance at end of the period	1	2,164	6,783	8,948
Total provisions for impairment losses	1	2,734	10,208	12,943
Total net loans and advances	44	450,323	1,231,065	1,681,432

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 2020 (30 June 2019: nil, 31 December 2019: nil). Therefore, the Bank does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were \$445,295K as at 30 June 2020 (30 June 2019: \$283,719K, 31 December 2019: \$555,133K).

There has been \$62,965 interest revenue, and \$11,183 fee revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the period ended 30 June 2020 (30 June 2019: nil, 31 December 2019: \$4,592).

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





Note 9 – Asset Quality (continued)

Unaudited 30 June 2019	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	103	542,106	1,104,411	1,646,620
Past due assets not impaired				
Less than 30 days past due	5	-	-	5
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	5	-	=	5
Individually impaired assets				
Balance at beginning of the year	14	2,682	32,715	35,411
Additions	=	=	=	-
Amounts written off	(10)	=	=	(10)
Reversal of impairment	(4)	=	(119)	(123)
Total individually impaired assets	=	2,682	32,596	35,278
Total gross loans and advances	108	544,788	1,137,007	1,681,903
Individually assessed provisions				
Balance at beginning of the year	14	307	19,675	19,996
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	155	-	155
Reversals of previously recognised impairment losses	(4)	-	-	(4)
Amounts recovered	-	-	-	-
Amounts written off	(10)	-	-	(10)
Balance at end of the year	-	462	19,675	20,137
Collectively assessed provisions				_
Balance at beginning of the year	-	2,898	3,789	6,687
Charge/(credit) to the statement of comprehensive income	1	(309)	(81)	(389)
Other movements	-	-	-	-
Balance at end of the year	1	2,589	3,708	6,298
Total provisions for impairment losses	1	3,051	23,383	26,435
Total net loans and advances	107	541,737	1,113,624	1,655,468



Note 9 – Asset Quality (continued)

Audited 31 December 2019	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	63	483,965	1,237,409	1,721,437
Past due assets not impaired				
Less than 30 days past due	2	-	-	2
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	
Total past due assets not impaired	2	-	-	2
Individually impaired assets				
Balance at beginning of the year	-	2,682	32,715	35,397
Additions	14	=	-	14
Amounts written off	(9)	=	-	(9)
Reversal of impairment	(5)	(2,137)	(24,768)	(26,910)
Total individually impaired assets	=	545	7,947	8,492
Total gross loans and advances	65	484,510	1,245,356	1,729,931
Individually assessed provisions				
Balance at beginning of the year	14	307	19,675	19,996
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	263	-	263
Reversals of previously recognised impairment losses	(5)	-	(16,250)	(16,255)
Amounts recovered	-	-	-	-
Amounts written off	(9)	-	-	(9)
Balance at end of the period	-	570	3,425	3,995
Collectively assessed provisions				
Balance at beginning of the year	-	2,898	3,789	6,687
Charge/(credit) to the statement of comprehensive income	1	(584)	2,153	1,570
Other movements	_		-	
Balance at end of the period	1	2,314	5,942	8,257
Total provisions for impairment losses	1	2,884	9,367	12,252
Total net loans and advances	64	481,626	1,235,989	1,717,679



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Note 10 - Balances with Related Entity

A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Amounts due from ultimate parent	2,287	13,831	23,150
Amount due from controlled entities of ultimate parent	-	-	<u>-</u>
Total amount due from related entities	2,287	13,831	23,150
Current	2,287	13,831	23,150
Non-Current	-	-	<u>-</u>
Amounts due to ultimate parent	690,750	306,628	395,815
Amount due to controlled entities of ultimate parent	301	-	200
Total amount due to related entities	691,051	306,628	396,015
Current	192,672	118,554	93,044
Non-Current	498,379	188,074	302,971

- 1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2020 is \$4,576K (30 June 2019: \$7,199K, 31 December 2019: \$6,448K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.
- 2. As at 30 June 2020, ICBC NZ has paid total of NZ\$336K expenses on behalf of ICBC Auckland Branch, which is included in "Amounts due from ultimate parent", and will be reimbursed when the Branch operations begin.
- 3. ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC (NZ) Vostro account was NZ\$193M as at 30 June 2020 (30 June 2019: NZ\$89M, 31 December 2019: NZ\$67M).
- 4. As at 30 June 2020, there is total NZ\$70m 5-years subordinated loan from ICBC Head Office (Note 8 and 19). The accrued interest of subordinated loan is NZ\$323K as at 30 June 2020 (30 June 2019: \$468K, 31 December 2019: \$354K).

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B. Related party transactions

	Unaudited	Unaudited	Audited
Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Interest income on amount due from related entities			
Ultimate parent	9	273	58
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	9	273	58
Interest expense on amount due to related entities			_
Ultimate parent	4,690	5,438	7,831
Subsidiaries of ultimate parent	=	-	=
Total interest expense on amount due to related entities	4,690	5,438	7,831
Other operating income			
Gain/(loss) on derivative contracts with ultimate parent	(387)	(162)	(468)
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	(178)	(47)	(169)

Interest payable to parent as at 30 June 2020 was \$520K (30 June 2019: \$905K, 31 December 2019: \$965K), and interest payable to subsidiaries of the ultimate parent was nil (30 June 2019: nil, 31 December 2019: nil). This is included in interest payable balance and interest paid expense.

Interest receivable from parent as at 30 June 2020 was nil (30 June 2019: nil, 31 December 2019: nil). This is included in interest receivable balance and interest income.

Parent includes ICBC Head Office and other branches.



Note 10 – Balances with Related Entity (continued)

There is no loan guaranteed by related parties as at 30 June 2020 (30 June 2019: nil; 31 December 2019: nil).

As at 30 June 2020, there are total of NZ\$187M loans transferred to ICBC Hong Kong Branch by risk participation agreement (30 June 2019: \$33,580K, 31 December 2019: nil).

C. Senior management compensation

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Salaries and other short-term benefits	1,310	997	2,020
Other benefits	-	=	=
Total key management compensation	1,310	997	2,020

D. Guarantees

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

As at 31 March 2020, 66.14% of total shares in ICBC were owned by the Chinese government. The remaining 33.86% 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 fully guarantees due payment of all indebtedness of the Bank to the Bank's depositors and other creditors.

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





Note 11 – Concentration of Credit Risk

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

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Government	423,361	206,907	126,769
Finance (including banks)	373,692	464,278	460,956
Households	453,884	545,988	485,487
Transport and storage	137,461	137,956	137,517
Communications	27,285	-	27,327
Accommodation and food service	21,984	-	-
Construction	260,108	173,128	191,765
Property services	346,008	347,172	453,820
Agriculture	5,303	6,107	5,304
Forestry, fishing and mining	92,821	149,740	154,525
Health and community services	165,386	40,014	60,216
Personal and other services	-	-	-
Retail and wholesale trade	60,129	60,292	60,255
Manufacturing	91,473	83,832	91,236
Education	179	1	25,055
Administration and support services	-	40,766	-
Less: allowance for impairment provisioning	(12,952)	(26,442)	(12,261)
Total financial assets	2,446,122	2,229,739	2,267,971

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

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
New Zealand	2,202,883	1,888,367	1,940,403
Overseas	243,239	341,372	327,568
Total financial assets	2,446,122	2,229,739	2,267,971



Note 11 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Loans and advances to customers	1, 681,432	1, 655,468	1,717,679
Derivative financial instruments	4,659	2,862	3,118
Trade and Other Receivables	-	-	-
Other financial assets	3,173	4,625	4,981
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	1, 689,264	1, 662,955	1,725,778
Cash and cash equivalents	364,738	77,144	107,297
Amounts due from related parties	1,951	13,831	23,150
Due from other financial institutions	183,900	267,910	226,362
Investment securities	189,154	205,947	182,868
Derivative financial instruments	15,497	828	1,046
Loans and advances to customers	-	=	=
Tax Receivable	-	-	=
Other financial assets	1,618	1,124	1,470
Total on Balance Sheet Credit Exposures	2,446,122	2,229,739	2,267,971
Off Balance Sheet Exposures	453,877	298,619	585,212
Total Off Balance Sheet Credit Exposures	453,877	298,619	585,212

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

As at 30 June 2020, 56.45% of the Bank's mortgage portfolio is owner-occupied residential properties (30 June 2019: 57.30%, 31 December 2019: 55.85%).

As at the reporting date, of the drawn balances on credit facilities with undrawn commitments, there are none that are classified as individually impaired, or balances under administration (30 June 2019: nil, 31 December 2019: nil).



Note 11 – Concentration of Credit Risk (continued)

(i) Credit exposure to individual counterparties

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

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

Peak End of Day	During the 6	months ne	Unaudited	During the	months ne	Audited hs period ended				
Credit Exposures	Duning the 0		June 2020	Duning the) June 2019	Duning the o	31 December 2019		
•	Number of	Bank Coun	terparties	Number o	f Bank Cour	nterparties	Number of	mber of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	
10% - 14%	1	-	-	1	-	-	1	-	-	
15% - 19%	-	-	-	-	=	-	2	-	-	
20% - 24%	2	=	-	1	=	=	1	-	-	
25% - 29%	-	=	-	1	=	=	-	-	-	
30% - 34%	1	-	-	-	-	-	-	-	-	
35% - 39%	-	-	-	2	=	-	1	-	-	
40% - 44%	-	=	-	-	=	=	-	-	-	
45% - 49%	-	-	-	1	-	-	-	-	-	
50% - 54%	1	-	-	-	=	-	1	-	-	
55% - 59%	-	=	-	-	=	=	1	-	-	
60% - 64%	-	-	-	-	-	-	-	-	-	
65% - 69%	1	-	-	1	=	-	-	-	-	
70% - 74%	1	-	-	-	=	-	-	-	-	
75% - 79%	-	-	-	-	-	-	-	-	-	
80% - 84%	-	-	-	-	-	-	-	-	-	
85% - 89%	-	-	-	-	-	-	-	-	-	
90% - 95%	-	-	-	-	-	-	-	-	-	

Peak End of Day Credit Exposures	During the 6		Unaudited riod ended June 2020	During the	6 months p	During the 6	Audited e 6 months period ended 31 December 2019		
	Number of	Other Cour	nterparties	Number	of Other Co	unterparties	Number of	Other Cour	nterparties
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	7	-	-	6	-	-	7
15% - 19%	-	-	7	-	-	4	=	-	7
20% - 24%	-	-	8	-	-	4	=	-	9
25% - 29%	-	-	3 ¹	-	-	4 ²	-	-	2 ³
30% - 34%	-	-	3	-	-	1	-	-	2
35% - 39%	-	-	3	-	-	1	1	-	1
40% - 44%	1	-	-	1	-	1	-	-	3
45% - 49%	-	-	-	-	-	2	-	-	-
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-	-	-	-



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

² One counterparty classified within the 25%-29% category is 97.75% collateralised by cash deposits.

³ One counterparty classified within the 25%-29% category is 97.80% collateralised by cash deposits.



Note 11 – Concentration of Credit Risk (continued)

Credit Exposures as at Reporting Date	Number of	As at 30	Unaudited June 2020 Iterparties	Number of		Unaudited June 2019 terparties	As a Number of	Audited mber 2019 terparties	
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	2	-	-	-	-	-	1	-	-
15% - 19%	-	-	=	1	=	=	1	=	-
20% - 24%	1	-	-	1	-	-	1	-	-
25% - 29%	-	-	-	-	-	-	-	-	-
30% - 34%	-	-	-	-	-	-	-	-	-
35% - 39%	-	-	-	1	-	-	1	-	-
40% - 44%	-	-	-	-	-	-	1	-	-
45% - 49%	-	-	-	-	-	-	-	-	-
50% - 54%	-	-	-	1	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 65%	-	-	-	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-	-	-	-
70% - 75%	1	-	-	-	-	-	-	-	-

Credit Exposures as at Reporting Date		As at 30	Unaudited June 2020			Unaudited June 2019	As a	Audited nber 2019	
	Number of 0	Other Coun	terparties	Number of Other Counterparties			Number of	Other Cour	nterparties
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	8	-	-	5	-	-	5
15% - 19%	-	-	8	-	-	5	-	-	8
20% - 24%	=	-	5	-	-	3	-	-	7
25% - 29%	=	-	3	-	-	5 ¹	-	-	3 ²
30% - 34%	1	-	2	-	-	-	-	-	2
35% - 39%	-	-	1	-	-	1	1	-	2
40% - 44%	-	-	1	1	-	1	-	-	1
45% - 49%	-	-	-	-	-	2	-	-	-
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-	-	-	-
65% - 70%	-	-	-	-	-	-	-	-	-

The Bank had no cental government, central bank, supranational or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregated credit exposure, as at 30 June 2020, and peak end-of-day aggregate credit exposure, for the six months ended 30 June 2020, equalled or exceeded 10% of the Bank's Common Equity Tier One Capital.

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



¹ One loan classified within the 25%-29% category is 97.78% collateralised by cash deposits.

² One counterparty classified within the 25%-29% category is 97.82% collateralised by cash deposits



Note 12 - Concentration of Funding

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

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
New Zealand			
Transport and storage	59,048	26,697	44,577
Financing investment and insurance	771,858	791,706	819,555
Electricity, gas and water	-	45,083	20,117
Food and other manufacturing	177,739	186,661	184,591
Construction	23,961	33,575	25,016
Communication	1,692	696	1,073
Government, local authorities and services	40,223	121,170	60,203
Agriculture	14	-	13
Forestry	150	72,265	69,410
Health and community services	16	-	55
Personal and other services	-	-	-
Property and business services	22,581	71,179	43,817
Accommodation and food services	945	-	-
Education	49,382	20,113	20,491
Retail and wholesale trade	6,572	2,753	3,187
Other	8,331	16,865	19,945
Households	69,651	67,071	64,454
<u>Overseas</u>			
Amounts due to related parties	764,911	308,016	467,333
Financing investment and insurance (not including ICBC group)	78,922	129,531	66,209
Household	114,481	107,210	109,397
Other deposits	1,529	2,867	1,497
Total financial liabilities	2,192,006	2,003,458	2,020,940

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

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Deposits from customers	797,628	840,286	814,845
Registered Banks	1	1	1
Derivative financial liabilities	4,662	3,346	3,815
Certificates of deposit	42,427	92,975	47,697
Subordinated loans due to related parties	70,000	70,000	70,000
Debts securities issued	560,914	661,668	661,440
Related Parties	691,051	306,628	396,015
Lease liabilities	8,389	8,008	8,356
Other	16,934	20,546	18,771
Total financial liabilities	2,192,006	2,003,458	2,020,940

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





Note 13 - Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Performance/financial guarantees issued on behalf of customers	8,582	14,900	30,079
Total contingent liabilities	8,582	14,900	30,079
Undrawn Commitments	445,295	283,719	555,133

Note 14 - Subsequent Events after Balance Sheet Date

The COVID-19 outbreak, which has become a pandemic since it first entered NZ, presents strategic, operational and commercial uncertainties for the Bank. The situation is changing continuously and there are increased uncertainties around the duration, scale and impact of the COVID-19 outbreak. The Bank has been taking various measures to mitigate the impact of COVID-19 on its operations. Based on the latest stress test and analysis, the Bank has increased its COVID-19 collective provision overlay to \$3.3M by the end of August 2020 (\$1.0M as at 30 June 2020). Consequently, the Board and management team continue to assess the potential impacts on the business, where the appropriateness of the underlying assumptions used in these stress tests are reviewed on a regular basis against actual experience and other relevant evidence, and adjustments are made to the provisions where appropriate.

Note 15 - Dividend

During the 6 months ended 30 June 2020 the Bank has not paid any dividends to its shareholder (30 June 2019: nil, 31 December 2019: nil).

Note 16 – Fair Value of Financial Instruments

Fair value Assumptions

- i. The carrying value of cash and cash equivalents is the fair value.
- ii. For on demand and deposits from customers maturing within six months, due from/to other financial institutions, the carrying value is considered to be the fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- iii. The carrying value of loans and advances to customers is net of allowance for impairment loss. For loans and advances to customers maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value are calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- iv. For amounts due from/to related parties maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.
- v. The fair value of investment securities, derivative financial instruments, and debt securities is determined by a discounted cash flow basis, which is based on the interest rate repricing and maturity of the instruments.
- vi. The carrying value of other financial assets and liabilities is considered to be the fair value.

Measurements of Fair Value Management

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).





Note 16 – Fair Value of Financial Instruments (continued)

Financial assets and liabilities measured at fair value

Unaudited 30 June 2020			Estimated Fair Value					
	Carrying							
Thousands of dollars	amount	Level 1	Level 2	Level 3	Total			
Financial assets								
Cash, cash equivalents and balances with central banks	364,738	-	364,738	-	364,738			
Amounts due from related parties	1,951	-	1,951	-	1,951			
Due from banks and other financial institutions	183,900	-	183,900	-	183,900			
Investment securities	189,154	200,303	-	-	200,303			
Derivative financial assets	20,156	-	20,156	-	20,156			
Loans and advances to customers	1,681,432	-	1,686,272	-	1,686,272			
Other financial assets	4,791	-	4,791	-	4,791			
Total financial assets	2,446,122	200,303	2,261,808	-	2,462,111			
Financial liabilities								
Due to central banks and other financial institutions	1	-	1	-	1			
Amounts due to related parties	691,051	=	691,051	_	691,051			
Derivative financial liability	4,662	-	4,662	-	4,662			
Deposits from customers	797,628	-	798,385	-	798,385			
Certificates of deposit	42,427	-	42,427	-	42,427			
Subordinated loans due to related parties	70,000	-	70,000	_	70,000			
Debt securities issued	560,914	-	564,950	_	564,950			
Lease liabilities	8,389	-	8,389	-	8,389			
Other financial liabilities	16,934	-	16,934	-	16,934			
Total financial liabilities	2,192,006	-	2,196,799	=	2,196,799			

Unaudited 30 June 2019			Estimate	Estimated Fair Value				
	Carrying				T			
Thousands of dollars	amount	Level 1	Level 2	Level 3	Total			
Financial assets Cash, cash equivalents and balances with central banks	77,144	-	77,144	-	77,144			
Amounts due from related parties	13,831	-	13,831	-	13,831			
Due from banks and other financial institutions	267,910	-	267,910	=	267,910			
Investment securities	205,947	211,075	-	-	211,075			
Derivative financial assets	3,690	-	3,690	=	3,690			
Loans and advances to customers	1,655,468	-	1,655,963	-	1,655,963			
Other financial assets	5,749	-	5,749	-	5,749			
Total financial assets	2,229,739	211,075	2,024,287	-	2,235,362			
Financial liabilities								
Due to central banks and other financial institutions	1	-	1	-	1			
Amounts due to related parties	306,628	-	306,628	-	306,628			
Derivative financial liability	3,346	-	3,346	-	3,346			
Deposits from customers	840,286	-	840,508	-	840,508			
Certificates of deposit	92,975	-	92,988	-	92,988			
Subordinated loans due to related parties	70,000	-	70,000	=	70,000			
Debt securities issued	661,668	-	659,463	-	659,463			
Lease liabilities	8,008	-	8,008	-	8,008			
Other financial liabilities	20,546	-	20,546	-	20,546			
Total financial liabilities	2,003,458	-	2,001,488	-	2,001,488			



Note 16 – Fair Value of Financial Instruments (continued)

Audited 31 December 2019			Estimated	air Value				
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total			
Financial assets								
Cash, cash equivalents and balances with central banks	107,297	-	107,297	-	107,297			
Amounts due from related parties	23,150	-	23,150	-	23,150			
Due from banks and other financial institutions	226,362	_	226,362	-	226,362			
Investment securities	182,868	187,730	-	-	187,730			
Derivative financial assets	4,164	_	4,164	-	4,164			
Loans and advances to customers	1,717,679	-	1,720,585	-	1,720,585			
Other financial assets	6,451	-	6,451	-	6,451			
Total financial assets	2,267,971	187,730	2,088,009	-	2,275,739			
Financial liabilities								
Due to central banks and other financial institutions	1	-	1	-	1			
Amounts due to related parties	396,015	-	396,015	-	396,015			
Derivative financial liability	3,815	-	3,815	=	3,815			
Deposits from customers	814,845	-	815,969	-	815,969			
Certificates of deposit	47,697	-	47,491	=	47,491			
Subordinated loans due to related parties	70,000	-	70,000	-	70,000			
Debt securities issued	661,440	_	662,048	-	662,048			
Lease liabilities	8,356	_	8,356	-	8,356			
Other financial liabilities	18,771	-	18,771	-	18,771			
Total financial liabilities	2,020,940	-	2,022,466	-	2,022,466			



Note 17 - Liquidity Risk

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

The Bank manages its liquidity risk through the Treasury Department and aims at:

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

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

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

Unaudited 30 June 2020	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	192,672	1,241	5,054	508,936	-	707,903
Deposits from customers	77,678	256,427	449,299	28,988	-	812,392
Certificates of deposit	-	8,000	35,000	-	-	43,000
Subordinated loans due to related parties	-	357	732	71,989	-	73,078
Debt securities issued	-	2,320	341,799	236,038	-	580,157
Long-term lease liabilities	-	326	985	5,302	2,644	9,257
Other financial liabilities	563	266	3,019	-	-	3,848
Total financial liabilities	270,914	268,937	835,888	851,253	2,644	2,229,636
Derivative cash flows						
Inflows from derivatives	-	97,483	55,340	11,390	=	164,213
Outflows from derivatives	-	(89,654)	(50,594)	(8,430)	-	(148,678)
Total	-	7,829	4,746	2,960	-	15,535
Off balance sheet cash flows						
Financial guarantees outflows	-	=	2,082	6,500	-	8,582
Commitments outflows	445,295	-	-	-	-	445,295
Total	445,295	=	2,082	6,500	-	453,877



Note 17 – Liquidity Risk (continued)

Unaudited 30 June 2019	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	88,892	30,189	4,000	195,072	-	318,153
Deposits from customers	84,093	472,869	188,074	112,703	-	857,739
Certificates of deposit	-	50,000	45,500	-	-	95,500
Subordinated loans due to related parties	-	470	1,338	74,989	-	76,797
Debt securities issued	-	4,410	113,321	586,002	-	703,733
Long-term lease liabilities	-	280	847	4,422	3,705	9,254
Other financial liabilities	144	538	2,779	896	-	4,357
Total financial liabilities	173,130	558,756	355,859	974,084	3,705	2,065,534
Derivative cash flows						
Inflows from derivatives	-	29,682	79,903	20,263	-	129,848
Outflows from derivatives	-	(30,376)	(78,917)	(21,369)	-	(130,662)
Total	-	(694)	986	(1,106)	=	(814)
Off balance sheet cash flows						
Financial guarantees outflows	8,535	=	-	6,365	-	14,900
Commitments outflows	281,754	=	524	1,441	-	283,719
Total	290,289	-	524	7,806	-	298,619



Note 17 – Liquidity Risk (continued)

Audited 31 December 2019	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
	Demand	monuis	months	a 5 years	o years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	67,250	26,404	5,878	312,823	-	412,355
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	91,281	348,785	304,848	85,962	-	830,876
Certificates of deposit	-	14,500	34,000	-	=	48,500
Subordinated loans due to related parties	-	351	1,057	73,165	-	74,573
Debt securities issued	-	105,041	168,514	418,496	-	692,051
Lease liabilities	2	304	917	5,164	2,900	9,287
Other financial liabilities	24	309	3,281	-	-	3,614
Total financial liabilities	158,558	495,694	518,495	895,610	2,900	2,071,257
Derivative cash flows						
Inflows from derivatives	-	53,651	34,474	15,513	-	103,638
Outflows from derivatives	-	(53,416)	(33,695)	(15,436)	-	(102,547)
Total	-	235	779	77	-	1,091
Off balance sheet cash flows	_					
Financial guarantees outflows	-	10,463	16,402	3,214	-	30,079
Commitments outflows	553,692	247	1,194	=	-	555,133
Total	553,692	10,710	17,596	3,214	=	585,212

Liquidity portfolio management

Thousands of dollars	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Cash, cash equivalents and balances with central banks	364,738	77,144	107,297
Amounts due from related parties	-	-	-
Due from banks and other financial institutions	183,900	267,910	226,362
Investment securities	189,154	205,947	182,868
Total liquidity portfolio	737,792	551,001	516,527



Note 18 - Interest Rate Risk

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

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

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

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

Unaudited 30 June 2020	Non- interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	5,514	359,224	-	-	-	-	364,738
Amounts due from related parties	-	1,951	-	-	-	-	1,951
Due from banks and other financial institutions	-	183,900	-	-	-	-	183,900
Investment securities	(9)*	15,504	-	13,319	-	160,340	189,154
Derivative financial assets	20,156	-	-	-	-	-	20,156
Loans and advances to customers	(12,943)*	1,216,707	147,440	239,795	74,073	16,360	1,681,432
Other financial assets	4,632	-	-	=	-	159	4,791
Total financial Assets	17,350	1,777,286	147,440	253,114	74,073	176,859	2,446,122
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	582,672	108,379	-	-	-	691,051
Derivative financial liability	4,662	-	-	-	-	-	4,662
Deposits from customers	47,552	288,461	159,277	274,921	25,810	1,607	797,628
Certificates of deposit	-	7,857	34,570	=	-	=	42,427
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	401,067	2,280	31,690	18,053	107,824	560,914
Lease liabilities	-	-	-	-	59	8,330	8,389
Other financial liabilities	16,934	-	-	-	-	-	16,934
Total financial liabilities	69,148	1,315,058	339,506	306,611	43,922	117,761	2,192,006
On-balance sheet gap	(51,798)	462,228	(192,066)	(53,497)	30,151	59,098	254,116
Net derivative notional principals	-	(125,000)	2,000	23,000	-	100,000	-
Net effective interest rate gap	(51,798)	337,228	(190,066)	(30,497)	30,151	159,098	254,116

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





Note 18 – Interest Rate Risk (continued)

Unaudited 30 June 2019 Thousands of dollars	Non- interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Financial assets							
Cash, cash equivalents and balances with central banks	7,792	69,352	-	-	-	-	77,144
Amounts due from related parties	-	13,831	-	-	-	-	13,831
Due from banks and other financial institutions	-	267,910	-	-	-	-	267,910
Investment securities	(7)*	84,457	5,028	16,312	13,677	86,480	205,947
Derivative financial assets	3,690	-	-	-	-	-	3,690
Loans and advances to customers	(26,435)*	1,482,375	131,857	59,343	8,328	-	1,655,468
Other financial assets	5,590	159	-	-	-	-	5,749
Total financial Assets	(9,370)	1,918,084	136,885	75,655	22,005	86,480	2,229,739
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	153,554	153,074	-	-	-	306,628
Derivative financial liability	3,346	-	-	-	-	-	3,346
Deposits from customers	57,323	507,228	100,585	67,658	106,260	1,232	840,286
Certificates of deposit	-	48,669	34,063	10,243	-	-	92,975
Subordinated loans due to related parties	-	35,000	35,000	-	=	-	70,000
Debt securities issued	-	500,693	-	1,000	33,970	126,005	661,668
Lease liabilities	-	2,892	-	-	-	5,116	8,008
Other financial liabilities	20,546	-	-	-	-	-	20,546
Total financial liabilities	81,215	1,248,037	322,722	78,901	140,230	132,353	2,003,458
On-balance sheet gap	(90,585)	670,047	(185,837)	(3,246)	(118,225)	(45,873)	226,281
Net derivative notional principals	-	(121,800)	-	-	21,800	100,000	-
Net effective interest rate gap	(90,585)	548,247	(185,837)	(3,246)	(96,425)	54,127	226,281

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



Note 18 - Interest Rate Risk (continued)

,	•						
Audited 31 December 2019	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	11,954	95,343	-	-	-	-	107,297
Amounts due from related parties	-	23,150	-	-	-	-	23,150
Due from banks and other financial institutions	(1)*	226,363	-	-	-	-	226,362
Investment securities	(8)*	49,560	1,200	-	13,499	118,617	182,868
Derivative financial assets	4,164	-	-	-	-	-	4,164
Loans and advances to customers	(12,252)*	1,360,871	158,898	107,892	84,059	18,211	1,717,679
Other financial assets	6,293	-	-	-	-	158	6,451
Total financial Assets	10,150	1,755,287	160,098	107,892	97,558	136,986	2,267,971
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	168,044	227,971	-	-	-	396,015
Derivative financial liability	3,815	-	-	-	-	-	3,815
Deposits from customers	56,264	381,515	164,250	131,103	80,499	1,214	814,845
Certificates of deposit	-	14,342	5,860	27,495	-	-	47,697
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	501,599	-	2,280	41,830	115,731	661,440
Lease liabilities	-	-	-	-	30	8,326	8,356
Other financial liabilities	18,771	-	-	-	-	-	18,771
Total financial liabilities	78,850	1,100,501	433,081	160,878	122,359	125,271	2,020,940
On-balance sheet gap	(68,700)	654,786	(272,983)	(52,986)	(24,801)	11,715	247,031
Net derivative notional principals	-	(121,800)	-	(1,200)	23,000	100,000	-
Net effective interest rate gap	(68,700)	532,986	(272,983)	(54,186)	(1,801)	111,715	247,031

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

Note 19 – Capital Adequacy

(a) Issued Capital

The Bank had 233,539,975 fully paid up ordinary shares (tier one capital) issued at NZ\$1 per share as at 30 June 2020.

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

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





(b) Other Classes of Capital Instrument

On 2 February 2018, the Bank issued subordinated loan of NZ\$35m ("The loan") to ICBC Head Office. The loan is subordinated, unsecured loan of the Bank, and will matured on 2 February 2023.

On 23 November 2017, the Bank issued subordinated loan of NZ\$35m ("The loan") to ICBC Head Office. The loan is subordinated, unsecured loan of the Bank, and will matured on 23 November 2022.

The loan issued by the Bank qualifies for Tier 2 capital instruments subject to phase-out in accordance with BS2A, and the allowance for tax in accordance with section 10f(5) of subpart 2F under BS2A. (On 23 November 2017)

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

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

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios as at 30 June 2020, 30 June 2019, and 31 December 2019. The Bank has complied with both regulatory and internal capital adequacy requirements.

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

(c) Tier one and two Capital

Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Tier one capital			
Common Equity Tier one capital			
Issued and fully paid up share capital	233,540	233,540	233,540
Retained earnings Accumulated other comprehensive income and other disclosed reserves	32,781	7,859	23,509
Interest from issue of ordinary shares	-	-	-
Less:	-	-	-
Goodwill and other intangible assets	(10)	-	(12)
Regulatory adjustments	-	-	-
Deferred tax assets	(5,231)	(8,579)	(4,832)
Total common equity tier one capital	261,080	232,820	252,205
Additional Tier one capital			
High-quality capital	-	-	-
Instruments issued	-	-	-
Share premium from issue of instruments	-	-	-
Associated retained earnings	-	-	-
Less: Regulatory adjustments	-	-	-
Total additional tier one capital	-	-	-
Total tier one capital	261,080	232,820	252,205
Tier two capital			
Subordinated loans due to related parties	42,000	56,000	49,000
Share premium from issue of instruments	-	-	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	-	-	-
Less: Regulatory adjustments	<u>-</u>		
Total tier two capital	42,000	56,000	49,000
Total capital	303,080	288,820	301,205

The bank currently has NZ \$70M of capital instruments subject to phase-out eligibility, of which includes Tier two capital of NZ\$42M in terms of RBNZ's Basel III transitional arrangement.





(d) Credit Risk

30 June 2020 Calculation of on-balance-sheet exposures	Total exposure after credit risk mitigation \$'000	Risk weight %	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
Cash and gold bullion	Ψ 000	-	Ψ 000	Ψ 000
· ·	251 001	0%	-	-
Sovereigns and central banks Multilateral development banks and other international organisation	351,881 -	-	-	-
Public sector entities	70,812	20%	14,162	1,133
Banks rating grade 1	296,331	20%	59,266	4,741
Banks rating grade 2 (≤3 months)	4,686	20%	937	75
Banks rating grade 2 (>3 months)	32,711	50%	16,356	1,309
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,209,456	100%	1,209,456	96,757
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	253,976	35%	88,892	7,111
Residential mortgages (investment) not past due -LVR up to 80%.	196,372	40%	78,549	6,284
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	(25)	100%	(25)	(2)
Other past due assets	4,929	100%	4,929	394
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	38,954	100%	38,954	3,116
Total on balance sheet exposures after credit risk mitigation	2,460,083	-	1,511,476	120,918



30 June 2020	Total exposure	Credit Conversion Factor	Credit equivalent amount	Average Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of off-balance-sheet exposures	\$'000	%	\$'000	%	\$'000	\$'000
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	8,575	50%	4,287	100%	4,287	343
Trade-related contingency	-	20%	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	371,254	50%	185,627	100%	185,627	14,850
Other commitments where original maturity is more than one year	71,743	50%	35,871	20%	7,174	574
Other commitments where original maturity is less than or equal to one year	1,868	20%	374	100%	374	30
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	146,988	1%	1,470	100%	1,470	118
(b) Interest rate contracts (exposure less than 1 year)	142,200	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years) Interest rate contracts (exposure more than	200,000	0.50%	1,000	100%	1,000	80
5 years)	25,000	1.50%	375	100%	375	30
(c) Other - OTC, etc.	-	-	=	-	=	-
Total off-balance sheet exposures	967,628	-	229,004	-	200,307	16,025



Note 19 – Capital Adequacy (continued)

30 June 2019 Calculation of on-balance-sheet exposures	Total exposure after credit risk mitigation \$'000	Risk weight %	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks Multilateral development banks and other international organisation	136,342 -	0%	-	-
Public sector entities	74,750	20%	14,950	1,196
Banks rating grade 1	323,305	20%	64,661	5,173
Banks rating grade 2 (≤3 months)	14,070	20%	2,814	225
Banks rating grade 2 (>3 months)	36,877	50%	18,439	1,475
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	25,750	100%	25,750	2,060
Banks rating grade 4 (≤3 months)	-	-	-	-
Banks rating grade 4 (>3 months)	-	-	=	=
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	9,913	50%	4,957	397
Corporate-without recognised mitigation	979,524	100%	979,524	78,362
Corporate-secured by collateral	65,005	20%	13,001	1,040
Corporate-guaranteed	-	-	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	307,992	35%	107,797	8,624
Residential mortgages (investment) not past due -LVR up to 80%.	231,526	40%	92,610	7,409
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	2,219	100%	2,219	178
Other past due assets	12,921	100%	12,921	1,033
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	26,605	100%	26,605	2,128
Total on balance sheet exposures after credit risk mitigation	2,246,799	-	1,366,248	109,300



30 June 2019	Total exposure	Credit Conversion Factor	Credit equivalent amount	Average Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of off-balance-sheet exposures	\$'000	%	\$'000	%	\$'000	\$'000
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	6,365	50%	3,183	100%	3,183	254
Trade-related contingency	8,535	20%	1,707	100%	1,707	137
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	229,271	50%	114,635	100%	114,635	9,171
Other commitments where original maturity is more than one year	52,500	50%	26,250	20%	5,250	420
Other commitments where original maturity is less than or equal to one year	1,948	20%	390	100%	390	31
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	101,992	1%	1,020	100%	1,020	82
(b) Interest rate contracts (exposure less than 1 year)	-	0%	-	-	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years) Interest rate contracts (exposure more than	342,200	0.50% -	1,711 -	100% -	1,711 -	137
5 years) (c) Other - OTC, etc.	_	_	_	_	_	_
Total off-balance sheet exposures	742,811	_	148,896	_	127,896	10,232
Total on balance sheet exposures	72,011	=	170,000		121,000	10,232



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



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

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



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

30 June 2020				
Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	450,323	-	-	450,323
30 June 2019				
Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	541,737	-	-	541,737
31 December 2019				
Thousands of dollars				
Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	481,626	-	=	481,626

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2020	30 June 2019	31 December 2019
Residential mortgage loans (as disclosed in Note 5)			
On balance sheet exposures			
Residential – owner occupied	255,741	312,151	270,622
Residential - investment	197,316	232,637	213,888
Provisions for impairment losses on loans and advances	(2,734)	(3,051)	(2,884)
Residential mortgages by loan-to-valuation ratio	450,323	541,737	481,626
Off balance sheet exposures	-	-	-
Total	450,323	541,737	481,626

(g) Credit risk mitigation

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





	Total value of on-and-off-	Total value of on-and-off-	
30 June 2019	balance sheet exposures covered by	balance sheet	
	eligible collateral (after	exposures covered by guarantees or credit	
Thousands of dollars	haircutting)	derivatives	
Exposure Class			
Sovereign or central bank	-	-	
Multilateral development bank	-	-	
Public sector entities	-	-	
Bank	-	-	
Corporate	65,005	-	
Residential mortgage	-	-	
Other	-	<u> </u>	
Total	65,005	<u>-</u>	
04 Danasakas 0040	Total value of on-and-off-	Total value of on-and-off-	
31 December 2019	balance sheet exposures covered by	balance sheet exposures covered by	
	eligible collateral (after	guarantees or credit	
Thousands of dollars	haircutting)	derivatives	
Exposure Class			
Sovereign or central bank	-	-	
Multilateral development bank	-	-	
Public sector entities	-	-	
Bank	-	-	
Corporate	65,611	-	
Residential mortgage	-	-	
Other		-	
Total	65,611	-	

(h) Operational risk capital requirement

30 June 2020

00 040 2020	Implied risk weighted	Total operational risk
Thousands of dollars	exposure	capital requirement
Operational risk	104,538	8,363
30 June 2019		
30 Julie 2019	Implied risk weighted	Total operational risk
Thousands of dollars	exposure	capital requirement
Operational risk	83,888	6,711
31 December 2019		
	Implied risk weighted	Total operational risk
Thousands of dollars	exposure	capital requirement
Operational risk	95,750	7,660





(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

30 June 2020	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	68,363	5,469	84,838	6,787
Foreign currency risk	4,250	340	4,838	387
Equity risk	-	-	-	
Total capital requirements	72,613	5,809	89,676	7,174

30 June 2020

	Risk weighted				
		exposure or			
	Total exposure	implied risk			
Thousands of dollars	after credit risk	weighted	Capital		
Thousands of dollars	mitigation	exposure	Requirement		
Total credit risk + equity	3,427,711	1,711,783	136,943		
Operational risk	-	104,538	8,363		
Market risk	-	72,613	5,809		
Total	3,427,711	1,888,934	151,115		

30 June 2019	End-period cap	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	54,888	4,391	84,400	6,752	
Foreign currency risk	5,925	474	6,075	486	
Equity risk	-	-	-	=	
Total capital requirements	60,813	4,865	90,475	7,238	

30 June 2019

Thousands of dollars	Total exposure after credit risk mitigation	exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,989,610	1,494,144	119,532
Operational risk	-	83,888	6,711
Market risk	-	60,813	4,865
Total	2,989,610	1,638,845	131,108





31 December 2019	ember 2019 End-period capital charges		Peak end-to-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	61,525	4,922	86,550	6,924
Foreign currency risk	2,975	238	6,300	504
Equity risk	-	-	-	-
Total capital requirements	64,500	5,160	92,850	7,428

31 December 2019

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

Capital ratios

Regulatory Capital Ratios	Regulatory Minimum	30 June 2020	30 June 2019	31 December 2019
Common Equity Tier 1 Capital Ratio	4.50%	13.82%	14.21%	13.32%
Tier 1 Capital Ratio	6.00%	13.82%	14.21%	13.32%
Total Qualifying Capital Ratio	8.00%	16.05%	17.62%	15.90%
RBNZ required Buffer Ratio	2.50%	7.82%	8.21%	7.32%

(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 2019: 2%, 31 December 2019:2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment.

(k) Regulatory liquidity ratios

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

	Unaudited For the 3 months ended 30 June 2020	Unaudited For the 3 months ended 31 March 2020
One-week mismatch ratio	19.47%	12.32%
One-month mismatch ratio	24.68%	16.07%
Core funding ratio	100.97%	90.05%
	Unaudited For the 3 months ended 30 June 2019	Unaudited For the 3 months ended 31 March 2019
One-week mismatch ratio	9. 98%	9.36%
One-month mismatch ratio	13.46%	10.56%
Core funding ratio	89.63%	85.47%





	Unaudited For the 3 months ended 31 December 2019	Unaudited For the 3 months ended 30 September 2019
One-week mismatch ratio	6.61%	6.11%
One-month mismatch ratio	13.86%	10.56%
Core funding ratio	87.46%	88.71%

(I) Capital adequacy of Ultimate Parent Bank

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

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

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

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

	31 March 2020	31 March 2019	31 December 2019
Ultimate Parent Bank Group			
Common Equity Tier 1 Capital Ratio	13.15%	12.84%	13.20%
Tier 1 Capital Ratio	14.19%	13.28%	14.27%
Total Capital Ratio	16.52%	15.49%	16.77%
Ultimate Parent Bank			
Common Equity Tier 1 Capital Ratio	13.12%	13.07%	13.29%
Tier 1 Capital Ratio	14.14%	13.46%	14.37%
Total Qualifying Capital Ratio	16.64%	15.83%	17.06%

Note 20 - Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the Bank has become exposed since 31 December 2019.

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

As at balance date the Bank was not involved in:

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





Independent Review Report

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

Report on the half-year disclosure statement

Conclusion

We have completed a review of the accompanying half-year disclosure statement which comprises:

- the interim financial statements formed of:
 - the statement of financial position as at 30 June 2020;
 - the statements of comprehensive income, changes in equity and cash flows for the six-month period then ended; and
 - notes, including a summary of significant accounting policies and other explanatory information.
- the supplementary information prescribed in Schedules 5, 7, 9, 13, 16 and 18 of the Order.

Based on our review of the interim financial statements and supplementary information of the Industrial and Commercial Bank of China (New Zealand) Limited (the "Registered Bank") on pages 13 to 60, nothing has come to our attention that causes us to believe that:

- the interim financial statements do not present fairly in all material respects the Registered Bank's financial position as at 30 June 2020 and its financial performance and cash flows for the six-month period ended on that date;
- ii. the interim financial statements (excluding the supplementary information disclosed in accordance with Schedules 5, 7, 9, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order")), have not been prepared, in all material respects, with NZ IAS 34 Interim Financial Reporting ("NZ IAS 34");
- iii. the supplementary information, does not fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- iv. the supplementary information relating to capital adequacy and regulatory liquidity requirements, has not been prepared, in all material respects, in accordance with the Registered Banks conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclose it in accordance with Schedule 9 of the Order.





Basis for conclusion

A review of the half-year disclosure statement in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Industrial and Commercial Bank of China (New Zealand) Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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



Emphasis of Matter

We draw attention to Note 1 *Critical accounting estimates and judgements* in the interim financial statements, which describes that given the current economic uncertainties due to the ongoing COVID-19 pandemic and the judgement applied to factors used in determining the expected default of borrowers in future periods, the expected credit losses reported should be considered as a best estimate within a range of possible estimates.

Our conclusion on the interim financial statements is not modified in respect of this matter.



Use of this independent review report

This independent review report is made solely to the shareholder as a body. Our review work has been undertaken so that we might state to the 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 shareholder as a body for our review work, this independent review report, or any of the conclusions we have formed.



Responsibilities of the Directors for the half-year disclosure statement

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

- the preparation and fair presentation of the half-year disclosure statement in accordance with NZ IAS 34 and Schedules 3, 5, 7, 13, 16 and 18 of the Order;
- the preparation and fair presentation of the supplementary information in regards to capital adequacy and regulatory liquidity requirements in accordance with the Registered Banks conditions of registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and Schedule 9 of the Order;
- implementing necessary internal control to enable the preparation of a half-year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the review of the half-year disclosure statement

Our responsibility is to express a conclusion on the half-year disclosure statement based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the:

- the interim financial statements do not present fairly in all material respects the Registered Bank's financial position as at 30 June 2020 and its financial performance and cash flows for the six-month period ended on that date;
- the interim financial statements do not, in all material respects, comply with NZ IAS 34;
- the supplementary information does not, fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements is not, prepared in all material respects, in accordance with the Registered Banks Conditions of Registration, Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

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 the half-year disclosure statement.

KPMG

KPMG Auckland

27 August 2020