

# INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

## Disclosure Statement

For the six months ended 30 June 2021



## 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 2021 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

- (a) "Bank", "Registered Bank" or "ICBC (NZ)" means Industrial and Commercial Bank of China (New Zealand) Limited;
- (b) "Banking Group" and "Group" means the Bank and its subsidiaries. As at the date of this disclosure statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;
- (c) "ICBC", the "Ultimate Parent Bank", the "Ultimate Holding Company", the "Parent" and the "Controlling Bank" mean the Industrial and Commercial Bank of China Limited, incorporated in China;
- (d) "NZD" means the New Zealand Dollar, "RMB" means the Chinese Yuan, "USD" means the United States Dollar, "HKD" means the Hong Kong Dollar, "EUR" means the European Dollar and "AUD" means the Australian Dollar;
- (e) "Board" means the board of directors of the Bank; and
- (f) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The financial statements of ICBC (NZ) for the six-month period ended 30 June 2021 form part of and should be read in conjunction with this Disclosure Statement.

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

## Contents

DISCLOSURE STATEMENT.....	2
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED CORPORATE INFORMATION.....	3
SUBORDINATION OF CLAIMS OF CREDITORS.....	3
GUARANTEE.....	3
DIRECTORS.....	4
AUDITOR.....	4
CONDITIONS OF REGISTRATION FOR INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED.....	5
PENDING PROCEEDINGS OR ARBITRATION.....	9
CREDIT RATINGS.....	10
OTHER MATERIAL MATTERS.....	10
DIRECTORS' STATEMENTS.....	11
APPENDIX 1 - FINANCIAL STATEMENTS.....	12

## Address for Service

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

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

- (b) The Bank's website address is [www.icbcnz.com](http://www.icbcnz.com)

## Nature of Business

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

## Details of Ultimate Parent Bank and Ultimate Holding Company

- (a) Ultimate Parent Bank

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

The registered address of ICBC is:

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

- (b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

- (c) Annual Report of ICBC

A copy of the latest ICBC annual report is on the ICBC website: [www.icbc.com.cn](http://www.icbc.com.cn)

- (d) 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 2020. A copy of the Disclosure Statement can be obtained from the Bank's website [www.icbcnz.com](http://www.icbcnz.com).

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

## Details of the guarantor (Parent)

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

The address for service of ICBC is:

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

- (b) Credit Rating

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

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

- (c) Rating movement history

There has not been any Standard & Poor's Credit and Moody's Credit rating movement in the last 3 years.

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

## Details of the guaranteed obligations (Parent)

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

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

## Directors

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

The Board comprises:

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

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

## Auditor

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

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

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

These Conditions of Registration (COR) apply on and after 29 April 2021, except as provided otherwise. The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") as a registered bank is subject to the following conditions:

1. That—

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

For the purposes of this condition of registration, —

"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—

- (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP') (BS12) dated December 2007;
- (b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015; and
- (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

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

- (a) according to the following table, limit the aggregate distributions of the bank's earnings to the percentage limit 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%	50%

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

For the purposes of this condition of registration,—

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

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

For the purposes of this condition of registration,—

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;

“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.

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

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Before and on 30 April 2021, that the banking group complies with the following quantitative requirements for liquidity-risk management:

- (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
- (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
- (c) the one-year core funding ratio of the banking group is not less than 50 per cent at the end of each business day.

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

11A. On and after 1 May 2021, that the banking group complies with the following quantitative requirements for liquidity-risk management:

- (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
- (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
- (c) the one-year core funding ratio of the banking group is not less than 50 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated May 2021 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated May 2021.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
- (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
  - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
  - (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
  - (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

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

For the purposes of this condition,—

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

"SPV" means a person—

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

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

14. That—

- (a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
  - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
  - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
- (b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
  - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
  - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and
  - (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.

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

15. That, for a loan-to-valuation measurement period ending on or before 30 September 2021, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
16. That, for a loan-to-valuation measurement period ending on or after 31 October 2021, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
17. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must



not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

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

In these conditions of registration,—

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

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

In conditions of registration 15 to 18,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2019:

"loan-to-valuation measurement period" means—

- (a) the six calendar month period ending on the last day of August 2021; and
- (b) thereafter a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of September 2021.

#### **Changes in Condition of Registration:**

After observing positive COVID-19 recovery and rapid acceleration in the housing market, combined with increases in the flows of lending to higher-risk borrowers across the NZ economy, RBNZ has reinstated banks COR at the same level as prior to the onset of COVID-19. These below COR change have been applied to all NZ registered banks.

- Removal of Loan to Value Ratio (LVR) speed limit restriction on new property-investment residential mortgage loans and non-property-investment residential mortgage loans.

From 1 March 2021:

- (i) LVR restrictions for owner-occupiers reinstated to a maximum of 20% of new lending at LVRs above 80%.
- (ii) LVR restrictions for investors reinstated to a maximum of 5% of new lending at LVRs above 70%.

From 1 May 2021:

- (i) LVR restrictions for owner-occupiers to remain at a maximum of 20% of new lending at LVRs above 80%.
- (ii) LVR restrictions for investors further tightened to a maximum of 5% of new lending at LVRs above 60%.

- Easing Restriction on distribution of earnings from 29 April 2021, allowing dividend payments of up to 50% of earnings from the bank's most recently completed financial year.
- Liquid assets calculation methodology changes from 1 May 2021 on the eligibility limits for residential mortgage backed securities and also the treatment of assets under the Reserve Bank's Funding for Lending Programme.

#### **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 four years.

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

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

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

### Rating Information

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

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

<sup>1</sup> 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.

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

### Other Material Matters

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

## Directors' Statements

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

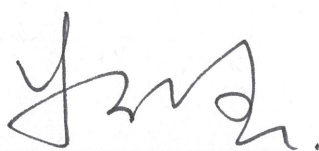
1. As at the date on which the Disclosure Statement is signed:

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


2. During the six months ended 30 June 2021:

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

This Disclosure Statement is dated 27 August 2021 and has been signed by Qian Hou and Donald Thomas Brash as the responsible persons for and on behalf of all the Directors (by Directors' resolution):



Qian Hou  
Executive Director



Donald Thomas Brash  
Chairman/Independent Director

## Appendix 1 - Financial Statements

### **Industrial and Commercial Bank of China (New Zealand) Limited**

Financial Statements for the six months ended 30 June 2021

## CONTENTS

<b>STATEMENT OF COMPREHENSIVE INCOME</b> .....	14
<b>STATEMENT OF CHANGES IN EQUITY</b> .....	15
<b>STATEMENT OF FINANCIAL POSITION</b> .....	16
<b>STATEMENT OF CASH FLOWS</b> .....	17
 NOTE 1 - STATEMENT OF ACCOUNTING POLICIES.....	20
NOTE 2 - FEES AND OTHER INCOME.....	22
NOTE 3 - IMPAIRMENT ALLOWANCE.....	22
NOTE 4 - TAXATION.....	30
NOTE 5 – LOANS AND ADVANCES TO CUSTOMERS.....	30
NOTE 6 – DEPOSITS FROM CUSTOMERS.....	30
NOTE 7 – CERTIFICATES OF DEPOSIT AND DEBT SECURITIES ISSUED.....	30
NOTE 8 – SUBORDINATED LOANS DUE TO RELATED PARTIES.....	31
NOTE 9 – ASSET QUALITY.....	31
NOTE 10 – BALANCES WITH RELATED PARTIES.....	34
NOTE 11 – CONCENTRATION OF CREDIT RISK.....	36
NOTE 12 – CONCENTRATION OF FUNDING.....	40
NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS.....	41
NOTE 14 – SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE.....	41
NOTE 15 – DIVIDEND.....	41
NOTE 16 – FAIR VALUE OF FINANCIAL INSTRUMENTS.....	41
NOTE 17 – LIQUIDITY RISK.....	44
NOTE 18 – INTEREST RATE RISK.....	47
NOTE 19 – CAPITAL ADEQUACY.....	49
NOTE 20 – RISK MANAGEMENT POLICIES.....	61
NOTE 21 - SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS.....	61
 <b>INDEPENDENT AUDITOR’S REVIEW REPORT</b> .....	62

## STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Unaudited 30 June 2021 6 months	Unaudited 30 June 2020 6 months	Audited 31 December 2020 12 months
Interest income*		27,583	36,626	66,706
Interest expense		(10,914)	(21,444)	(37,182)
<b>Net interest income</b>		<b>16,669</b>	<b>15,182</b>	<b>29,524</b>
Net gains/(losses) on financial instruments at fair value through P&L		3,656	13,474	24,565
Fees and other income/(losses)	2	(3,116)	(7,423)	(18,965)
<b>Total operating income</b>		<b>17,209</b>	<b>21,233</b>	<b>35,124</b>
Operating expense		(8,555)	(8,203)	(17,270)
Impairment provisioning on financial assets	3	(110)	(151)	(399)
<b>Net profit/(loss) before taxation</b>		<b>8,544</b>	<b>12,879</b>	<b>17,455</b>
Taxation expense	4	(2,371)	(3,607)	(4,917)
<b>Net profit/(loss) after taxation</b>		<b>6,173</b>	<b>9,272</b>	<b>12,538</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>6,173</b>	<b>9,272</b>	<b>12,538</b>

\*All interest income is calculated using the effective interest method.

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

## STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
<b>For the six months ended 30 June 2021 (unaudited)</b>				
<b>Balance at the 31 December 2020</b>		233,540	36,367	269,907
Capital injection from shareholders		-	-	-
Net profit/(loss) and other comprehensive income for the period		-	6,173	6,173
<b>Total equity movement for the period</b>		-	6,173	6,173
<b>Balance at 30 June 2021</b>		233,540	42,540	276,080
<b>For the six months ended 30 June 2020 (unaudited)</b>				
<b>Balance at the 31 December 2019</b>		233,540	23,509	257,049
Capital injection from shareholders		-	-	-
Net profit/(loss) and other comprehensive income for the period		-	9,272	9,272
<b>Total equity movement for the period</b>		-	9,272	9,272
<b>Balance at 30 June 2020</b>		233,540	32,781	266,321
<b>For the year ended 31 December 2020 (audited)</b>				
<b>Balance at 31 December 2019</b>		233,540	23,509	257,049
Impact of initial adoption of NZ IFRS 16		-	320	320
<b>Balance at 1 January 2020</b>		233,540	23,829	257,369
Capital injection from shareholders		-	-	-
Net profit/(loss) and other comprehensive income for the year		-	12,538	12,538
<b>Total equity movement for the year</b>		-	12,538	12,538
<b>Balance at 31 December 2020</b>		233,540	36,367	269,907

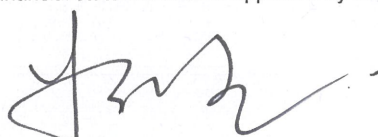
The accounting policies and other notes (1-21) form part of, and should be read in conjunction with, these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

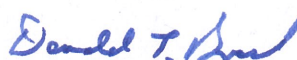
Thousands of dollars	Note	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
<b>Assets</b>				
Cash, cash equivalents and balances with central banks		213,121	364,738	194,788
Amounts due from related parties	10	5,730	2,287	3,024
Due from banks and other financial institutions		30,000	183,900	10,000
Investment securities		194,569	189,154	197,210
Derivative financial assets		2,427	20,156	7,698
Loans and advances to customers	5,9	1,632,589	1,681,432	1,613,933
Right-of-use assets		8,384	8,076	9,212
Current tax receivable		-	-	491
Property, plant and equipment		287	81	153
Intangible assets		5	10	7
Deferred tax assets		5,043	5,231	4,658
Other assets		4,865	5,018	4,883
<b>Total assets</b>		<b>2,097,020</b>	<b>2,460,083</b>	<b>2,046,057</b>
<b>Liabilities</b>				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	10	544,661	691,051	424,717
Derivative financial liabilities		1,852	4,662	3,292
Deposits from customers	6	502,546	797,628	650,797
Certificates of deposit	7	134,304	42,427	79,750
Subordinated loans due to related parties	8	70,000	70,000	70,000
Debt securities issued	7	546,340	560,914	523,178
Lease liabilities		8,862	8,389	9,645
Current tax payable		1,002	338	-
Deferred tax liabilities		228	1,321	876
Other liabilities		11,144	17,031	13,894
<b>Total liabilities</b>		<b>1,820,940</b>	<b>2,193,762</b>	<b>1,776,150</b>
<b>Shareholder's equity</b>				
Share capital		233,540	233,540	233,540
Reserves		42,540	32,781	36,367
<b>Total shareholder's equity</b>		<b>276,080</b>	<b>266,321</b>	<b>269,907</b>
<b>Total shareholder's equity and liabilities</b>		<b>2,097,020</b>	<b>2,460,083</b>	<b>2,046,057</b>
Total interest earning and discount bearing assets	18	2,078,972	2,428,772	2,029,566
Total interest and discount bearing liabilities	18	1,759,187	2,122,858	1,708,794

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 2021 and are signed on their behalf by:



Qian Hou  
Executive Director



Donald Thomas Brash  
Chairman/Independent Director



## STATEMENT OF CASH FLOWS

Thousands of dollars	Note	Unaudited 30 June 2021 6 months	Unaudited 30 June 2020 6 months	Audited 31 December 2020 12 months
<b>Cash flows applied to operating activities</b>				
Interest income		28,993	38,314	68,554
Other income		4,370	(8,626)	1,987
Interest expense		(14,889)	(22,316)	(39,359)
Long-term lease payments		(760)	(638)	(1,340)
Variable lease		(7)	(3)	(9)
Personnel expense		(6,006)	(6,368)	(12,305)
Other operating expense		(2,119)	(1,595)	(3,900)
Taxes paid		(1,911)	(5,437)	(7,572)
<b>Changes in operating assets and liabilities arising from cash flow movements:</b>		<b>7,671</b>	<b>(6,669)</b>	<b>6,056</b>
<b>Changes in operating assets and liabilities arising from cash flow movements:</b>				
(Increase)/decrease in loans and advances to customers		(18,485)	35,558	102,636
Increase/(decrease) in deposits from customers		(148,251)	(17,217)	(164,048)
Increase/(decrease) in amounts due to related parties		139,987	169,615	(23,190)
Increase/(decrease) in other liabilities		218	36	(410)
(Increase)/decrease in amounts due from related parties		(2,706)	21,199	20,126
Increase/(decrease) in certificates of deposit		54,554	(5,270)	32,053
<b>Net change in operating assets and liabilities</b>		<b>25,317</b>	<b>203,921</b>	<b>(32,833)</b>
<b>Net cash flows applied to operating activities</b>		<b>32,988</b>	<b>197,252</b>	<b>(26,777)</b>
<b>Cash flows applied to investing activities</b>				
Purchase of property, plant and equipment		(172)	(48)	(144)
Purchase of intangible assets		-	-	-
Purchase of financial securities		2,250	(6,646)	(15,146)
<b>Net cash flows applied to investing activities</b>		<b>2,078</b>	<b>(6,694)</b>	<b>(15,290)</b>
<b>Cash flows applied to financing activities</b>				
Capital injection from shareholders		-	-	-
Receipts from subordinated loans due to related parties		-	-	-
Receipts/(repayments) from issuance of debt securities		23,310	(101,000)	(138,696)
<b>Net cash flows applied to financing activities</b>		<b>23,310</b>	<b>(101,000)</b>	<b>(138,696)</b>
Increase/(decrease) in cash and cash equivalents		58,376	89,558	(180,763)
Cash and cash equivalents at beginning of year		85,644	266,407	266,407
<b>Cash and cash equivalents</b>		<b>144,020</b>	<b>355,965</b>	<b>85,644</b>
<b>Cash and cash equivalents at end of the period comprised:</b>				
Cash, cash equivalents and balances with central banks		213,121	364,738	194,788
Due from banks and other institutions classified as cash equivalents		30,000	183,900	10,000
Due to central banks and other financial institutions classified as cash and cash equivalents		(1)	(1)	(1)
Amount due to related parties classified as cash and cash equivalents		(99,100)	(192,672)	(119,143)
<b>Total cash and cash equivalents</b>		<b>144,020</b>	<b>355,965</b>	<b>85,644</b>

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

## STATEMENT OF CASH FLOWS (CONTINUED)

Thousands of dollars	Unaudited 30 June 2021 6 months	Unaudited 30 June 2020 6 months	Audited 31 December 2020 12 months
<b>Reconciliation of net profit after taxation to net cash-flows from operating activities</b>			
<b>Net profit after taxation</b>	<b>6,173</b>	<b>9,272</b>	<b>12,538</b>
<b>Non cash movements:</b>			
Unrealised fair value adjustments	2,316	(4,717)	(3,628)
Depreciation	38	19	43
Amortisation of intangibles	2	2	5
Amortisation of Right-of-use assets	711	598	1,317
Amortisation of financial instruments	391	359	804
Increase/(decrease) in allowance for impairment losses	110	153	404
Bad debts recovery	-	(2)	(6)
Unrealised foreign exchange gain/(loss)	1,515	(9,960)	16
(Increase)/decrease in deferred taxation	(1,033)	922	926
Amortisation of debt securities issued	(148)	6	(10)
<b>Increase/(decrease) in operating assets and liabilities</b>	<b>3,902</b>	<b>(12,620)</b>	<b>(129)</b>
(Increase)/decrease in interest receivable	539	1,720	1,989
Increase/(decrease) in interest payable	(3,922)	(995)	(2,387)
(Increase)/decrease in loans and advances to customers	(18,485)	35,558	102,636
Increase/(decrease) in deposits from customers	(148,251)	(17,217)	(164,048)
Increase/(decrease) in certificates of deposit	54,554	(5,270)	32,053
Increase/(decrease) in lease liabilities	(666)	(522)	(1,121)
Increase/(decrease) in other liabilities	891	(644)	(1,773)
Increase/(decrease) in amounts due to related parties	139,987	169,615	(23,190)
(Increase)/decrease in current taxation	1,494	(2,752)	(3,581)
(Increase)/decrease in other assets	(522)	(92)	110
(Increase)/decrease in amounts due from related parties	(2,706)	21,199	20,126
<b>Net cash flows applied to operating activities</b>	<b>32,988</b>	<b>197,252</b>	<b>(26,777)</b>

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

**STATEMENT OF CASH FLOWS (CONTINUED)****Reconciliation of liabilities arising from financing activities****For the six months ended 30 June 2021 (unaudited)**

			Non-cash changes		
	31 December 2020	Net Cashflow	Amortisation	Foreign Exchange movement	30 June 2021
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	523,178	23,310	(148)	-	546,340
Total liabilities from financing activities	593,178	23,310	(148)	-	616,340

**Reconciliation of liabilities arising from financing activities****For the 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 year ended 31 December 2020 (audited)**

			Non-cash changes		
	31 December 2019	Net Cash flow	Amortisation	Foreign Exchange movement	31 December 2020
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	661,440	(138,696)	(10)	444	523,178
Total liabilities from financing activities	731,440	(138,696)	(10)	444	593,178

## Note 1 - 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 2021.

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

They were approved for issue by the Directors on 27 August 2021. 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 2021. 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 2020. These interim financial statements do not include all the disclosures required for full annual financial statements and are condensed financial statements in accordance with NZ IAS 34.

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

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

### (3) Presentation Currency

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

### (4) Critical accounting estimates and judgments

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

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

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

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

Estimation uncertainties:

Assumptions made as at each reporting date (e.g. the calculation of the ECL and fair value adjustments), are based on best estimates at that date. There have been no significant changes to the accounting estimates, judgments and assumptions used in preparing the financial statements compared to those applied in the preparation of the Disclosure Statement for the year ended 31 December 2020.

## Note 1 - Statement of Accounting Policies (continued)

The Bank has considered the impact of COVID-19 in determining the estimates, assumptions and judgments used to prepare financial statements. Consistent with prior periods the most significant area impacted by COVID-19 is the measurement of ECL. While the methodologies in the ECL calculations remained unchanged from those applied in the Disclosure Statement for the year ended 31 December 2020, the Bank has incorporated estimates specific to the impact of COVID-19, based on the judgment and performance of the loan portfolio to-date, and identified a judgment of overlay provision reduced from \$3.3 million to \$2.6 million, reflecting the positive COVID-19 recovery and improved economic outlook.

### (5) Changes in accounting policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2020.

There are no new amendments to accounting standards relevant to the Bank as at 30 June 2021.

### (6) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These immaterial reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement comparative affected are: Statement of Cashflow as at 30 June 2020, and Statement of Cashflow as at 31 December 2020.

## Note 2 - Fees and Other Income

Thousands of dollars	Unaudited 30 June 2021 6 months	Unaudited 30 June 2020 6 months	Audited 31 December 2020 12 months
Banking and lending fee income	254	327	755
Payment services fee income	217	290	506
Net foreign exchange gains/(losses)	(5,367)	(8,040)	(20,425)
Other revenue	1,780	-	199
<b>Total other income/(losses)</b>	<b>(3,116)</b>	<b>(7,423)</b>	<b>(18,965)</b>

## Note 3 - Impairment Allowance

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

### Unaudited 30 June 2021

#### Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 30 June 2021
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,298	6,557	9	-	546	-	9,411
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	1	341	-	-	-	-	-	342
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	4	570	3,425	-	-	-	-	3,999
<b>Balance as at 30 June 2021</b>	<b>6</b>	<b>3,209</b>	<b>9,982</b>	<b>9</b>	<b>-</b>	<b>546</b>	<b>-</b>	<b>13,752</b>

### Note 3 - Impairment Allowance (continued)

#### Unaudited 30 June 2020

##### Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 30 June 2020
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,164	6,783	9	1	437	-	9,395
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) - specific	-	570	3,425	-	-	-	-	3,995
<b>Balance as at 30 June 2020</b>	<b>1</b>	<b>2,734</b>	<b>10,208</b>	<b>9</b>	<b>1</b>	<b>437</b>	<b>-</b>	<b>13,390</b>

#### Audited 31 December 2020

##### Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 31 December 2020
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,166	7,189	9	-	265	-	9,630
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	17	-	-	-	-	-	17
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	-	570	3,425	-	-	-	-	3,995
<b>Balance as at 31 December 2020</b>	<b>1</b>	<b>2,753</b>	<b>10,614</b>	<b>9</b>	<b>-</b>	<b>265</b>	<b>-</b>	<b>13,642</b>

Note 3 - Impairment Allowance (continued)

**Unaudited 30 June 2021**

**Movement in provision for credit impairment**

Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
<b>Residential mortgage lending</b>					
<b>Balance at beginning of period</b>	2,166	17	-	570	2,753
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	132	324	-	-	456
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>2,298</b>	<b>341</b>	<b>-</b>	<b>570</b>	<b>3,209</b>
<b>Other exposures excluding sovereigns and central banks</b>					
<b>Balance at beginning of period</b>	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	1	-	4	5
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>4</b>	<b>6</b>
<b>Corporate and institutional</b>					
<b>Balance at beginning of period</b>	7,189	-	-	3,425	10,614
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(632)	-	-	-	(632)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>6,557</b>	<b>-</b>	<b>-</b>	<b>3,425</b>	<b>9,982</b>
<b>Investment securities</b>					
<b>Balance at beginning of period</b>	9	-	-	-	9
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>



### Note 3 - Impairment Allowance (continued)

#### Unaudited 30 June 2021

#### Movement in provision for credit impairment

Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
<b>Due from banks and other financial institutions</b>					
<b>Balance at beginning of period</b>	-	-	-	-	-
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	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	-	-	-	-	-
<b>Provision for loan commitments and financial guarantee contracts</b>					
<b>Balance at beginning of period</b>	265	-	-	-	265
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	281	-	-	-	281
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 30 June 2021*</b>	546	-	-	-	546
<b>Total charges to statement of comprehensive income in current year</b>	(219)	325	-	4	110
<b>Total impairment allowance as at 30 June 2021</b>	9,411	342	-	3,999	13,752

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

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2020

Movement in provision for credit impairment

Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
<b>Residential mortgage lending</b>					
<b>Balance at beginning of period</b>	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 current year	(150)	-	-	-	(150)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>2,164</b>	<b>-</b>	<b>-</b>	<b>570</b>	<b>2,734</b>
<b>Other exposures excluding sovereigns and central banks</b>					
<b>Balance at beginning of period</b>	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
<b>Balance as at 30 June 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Corporate and institutional</b>					
<b>Balance at beginning of period</b>	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	841	-	-	-	841
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>6,783</b>	<b>-</b>	<b>-</b>	<b>3,425</b>	<b>10,208</b>
<b>Investment securities</b>					
<b>Balance at beginning of period</b>	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	-	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2020

Movement in provision for credit impairment

Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
<b>Due from banks and other financial institutions</b>					
<b>Balance at beginning of period</b>	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	-	-	-	-	-
<b>Balance as at 30 June 2020</b>	1	-	-	-	1
<b>Provision for loan commitments and financial guarantee contracts</b>					
<b>Balance at beginning of period</b>	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	-	-	-	-	-
<b>Balance as at 30 June 2020*</b>	437	-	-	-	437
<b>Total charges to statement of comprehensive income in current year</b>	153	-	-	(2)	151
<b>Total impairment allowance as at 30 June 2020</b>	9,395	-	-	3,995	13,390

Note 3 - Impairment Allowance (continued)

**Audited 31 December 2020**

**Movement in provision for credit impairment**

Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
<b>Residential mortgage lending</b>					
<b>Balance at beginning of period</b>	2,314	-	-	570	2,884
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(17)	17	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year	(131)	-	-	-	(131)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>2,166</b>	<b>17</b>	<b>-</b>	<b>570</b>	<b>2,753</b>
<b>Other exposures excluding sovereigns and central banks</b>					
<b>Balance at beginning of period</b>	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year	-	-	-	(6)	(6)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	6	6
<b>Balance as at 31 December 2020</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Corporate and institutional</b>					
<b>Balance at beginning of period</b>	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	1,247	-	-	-	1,247
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>7,189</b>	<b>-</b>	<b>-</b>	<b>3,425</b>	<b>10,614</b>
<b>Investment securities</b>					
<b>Balance at beginning of period</b>	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	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>

### Note 3 - Impairment Allowance (continued)

#### Audited 31 December 2020

#### Movement in provision for credit impairment

Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
<b>Due from banks and other financial institutions</b>					
<b>Balance at beginning of period</b>	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(1)	-	-	-	(1)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	-	-	-	-	-
<b>Provision for loan commitments and financial guarantee contracts</b>					
<b>Balance at beginning of period</b>	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	(711)	-	-	-	(711)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	265	-	-	-	265
<b>Total charges to statement of comprehensive income in current year</b>	405	-	-	(6)	399
<b>Total impairment allowance as at 31 December 2020</b>	9,630	17	-	3,995	13,642

#### Note 4 - Taxation

Consistent with NZ IAS 12 the Bank has recognised total tax benefits of \$5,043K as at 30 June 2021 (30 June 2020: \$5,231K, 31 December 2020: \$4,658K). 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 2021 6 months	Unaudited 30 June 2020 6 months	Audited 31 December 2020 12 months
Net profit/(loss) before taxation	8,544	12,879	17,455
Tax calculated at a tax rate of 28%	2,392	3,606	4,888
Over/(under) provision from prior period	(21)	(1)	-
Temporary differences not recognised	-	-	-
Utilisation of tax losses previously unrecognised	-	-	-
Other permanent differences	-	2	29
<b>Taxation charge/(benefit) as per the statement of comprehensive income</b>	<b>2,371</b>	<b>3,607</b>	<b>4,917</b>
<b>Represented by:</b>			
Current tax	3,404	2,685	3,991
Deferred tax	(1,033)	922	926
<b>Taxation charge/(benefit) as per the statement of comprehensive income</b>	<b>2,371</b>	<b>3,607</b>	<b>4,917</b>

#### Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Residential mortgage loans	485,321	453,057	457,688
Corporate exposures	1,160,438	1,241,273	1,169,552
Credit Cards	27	45	61
Other exposures	-	-	-
Allowance for impairment losses	(13,197)	(12,943)	(13,368)
<b>Total net loans and receivables</b>	<b>1,632,589</b>	<b>1,681,432</b>	<b>1,613,933</b>
Current	214,272	410,998	375,149
Non-Current	1,418,317	1,270,434	1,238,784

#### Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Demand deposits not bearing interest	47,527	47,552	49,294
Demand deposits bearing interest	28,910	27,100	13,680
Term deposits	426,109	722,976	587,823
<b>Total deposits</b>	<b>502,546</b>	<b>797,628</b>	<b>650,797</b>
Current	498,973	770,211	626,940
Non-Current	3,573	27,417	23,857

#### Note 7 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Certificates of deposit (CDs)	134,304	42,427	79,750
Other debt securities	546,340	560,914	523,178
<b>Total debt securities issued</b>	<b>680,644</b>	<b>603,341</b>	<b>602,928</b>
Current	372,712	377,463	266,580
Non-Current	307,932	225,878	336,348

## Note 8 – Subordinated Loans due to Related Parties

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Subordinated loans due to related parties	70,000	70,000	70,000
<b>Total debt securities issued</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>
Current	-	-	-
Non-Current	70,000	70,000	70,000

The subordinated loan due to related parties of NZ\$70m as at 30 June 2021 are 5-year term of unsecured debts.

## Note 9 – Asset Quality

Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
<b>Unaudited 30 June 2021</b>				
<b>Total neither past due nor impaired</b>	12	484,773	1,155,092	1,639,877
<b>Past due assets not impaired</b>				
Less than 30 days past due	7	3	-	10
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	4	-	-	4
At least 90 days past due	-	-	-	-
<b>Total past due assets not impaired</b>	11	3	-	14
<b>Individually impaired assets</b>				
Balance at beginning of the year	-	545	5,359	5,904
Additions	4	-	(13)	(9)
Amounts written off	-	-	-	-
Reversal of impairment	-	-	-	-
<b>Total individually impaired assets</b>	4	545	5,346	5,895
<b>Total gross loans and advances</b>	27	485,321	1,160,438	1,645,786
<b>Individually assessed provisions</b>				
Balance at beginning of the year	-	570	3,425	3,995
<b>Charge/(credit) to the statement of comprehensive income:</b>				
New provisions	4	-	-	4
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	-	-	-	-
<b>Balance at end of the period</b>	4	570	3,425	3,999
<b>Collectively assessed provisions</b>				
Balance at beginning of the year	1	2,183	7,189	9,373
Charge/(credit) to the statement of comprehensive income	1	456	(632)	(175)
Other movements	-	-	-	-
<b>Balance at end of the period</b>	2	2,639	6,557	9,198
<b>Total provisions for impairment losses</b>	6	3,209	9,982	13,197
<b>Total net loans and advances</b>	21	482,112	1,150,456	1,632,589

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 2021 (30 June 2020: nil, 31 December 2020: nil). Therefore, the Bank does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were \$437,619K as at 30 June 2021 (30 June 2020: \$445,295K, 31 December 2020: \$422,062K ).

There has been \$12,606 interest revenue foregone on individually impaired or greater than 90 days past due assets during the period ended 30 June 2021 (30 June 2020: \$62,965 interest revenue and \$11,183 fee revenue, 31 December 2020: \$14,317 interest revenue).

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



Note 9 – Asset Quality (continued)

<b>Audited 31 December 2020</b>	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
<b>Total neither past due nor impaired</b>	60	457,143	1,164,192	1,621,395
<b>Past due assets not impaired</b>				
Less than 30 days past due	1	-	-	1
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
<b>Total past due assets not impaired</b>	1	-	-	1
<b>Individually impaired assets</b>				
Balance at beginning of the year	-	545	7,947	8,492
Additions	6	-	-	6
Amounts written off	-	-	-	-
Reversal of impairment	(6)	-	(2,587)	(2,593)
<b>Total individually impaired assets</b>	-	545	5,360	5,905
<b>Total gross loans and advances</b>	61	457,688	1,169,552	1,627,301
<b>Individually assessed provisions</b>				
Balance at beginning of the year	-	570	3,425	3,995
<b>Charge/(credit) to the statement of comprehensive income:</b>				
New provisions	6	-	-	6
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	(6)	-	-	(6)
Amounts written off	-	-	-	-
<b>Balance at end of the period</b>	-	570	3,425	3,995
<b>Collectively assessed provisions</b>				
Balance at beginning of the year	1	2,314	5,942	8,257
Charge/(credit) to the statement of comprehensive income	-	(131)	1,247	1,116
Other movements	-	-	-	-
<b>Balance at end of the period</b>	1	2,183	7,189	9,373
<b>Total provisions for impairment losses</b>	1	2,753	10,614	13,368
<b>Total net loans and advances</b>	60	454,935	1,158,938	1,613,933

## Note 10 – Balances with Related Parties

### A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Amounts due from ultimate parent	5,730	2,287	3,024
Amount due from controlled entities of ultimate parent	-	-	-
<b>Total amount due from related parties</b>	<b>5,730</b>	<b>2,287</b>	<b>3,024</b>
Current	5,730	2,287	3,024
Non-Current	-	-	-
Amounts due to ultimate parent	544,097	690,750	424,289
Amount due to controlled entities of ultimate parent	564	301	428
<b>Total amount due to related parties</b>	<b>544,661</b>	<b>691,051</b>	<b>424,717</b>
Current	179,100	192,672	119,143
Non-Current	365,561	498,379	305,574

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2021 is \$5,679K (30 June 2020: \$4,576K, 31 December 2020: \$11,243K). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

2. ICBC (NZ) operations are guaranteed by the parent ICBC Group which, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC (NZ) Vostro account was NZ\$99M as at 30 June 2021 (30 June 2020: NZ\$193M, 31 December 2020: NZ\$119M).

3. As at 30 June 2021, there is total NZ\$70m 5-year subordinated loan from ICBC Head Office (Note 8). The accrued interest of subordinated loan is NZ\$194K as at 30 June 2021 (30 June 2020: \$323K, 31 December 2020: \$199K).

### B. Related party transactions

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
<b>Interest income on amount due from related entities</b>			
Ultimate parent	8	9	8
Subsidiaries of ultimate parent	-	-	-
<b>Total interest income on amount due from related entities</b>	<b>8</b>	<b>9</b>	<b>8</b>
<b>Interest expense on amount due to related entities</b>			
Ultimate parent	2,145	4,690	7,364
Subsidiaries of ultimate parent	-	-	-
<b>Total interest expense on amount due to related entities</b>	<b>2,145</b>	<b>4,690</b>	<b>7,364</b>
<b>Other operating income</b>			
Gain/(loss) on derivative contracts with ultimate parent	(632)	(387)	(1,030)
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	(251)	(178)	(432)
Other income	1,780	-	198
<b>Total other operating income</b>	<b>897</b>	<b>(565)</b>	<b>(1,264)</b>

Interest payable to parent as at 30 June 2021 was \$387K (30 June 2020: \$520K, 31 December 2020: \$232K), and interest payable to subsidiaries of the ultimate parent was nil (30 June 2020: nil, 31 December 2020: nil). This is included in interest payable balance and interest paid expense.

Interest receivable from parent as at 30 June 2021 was nil (30 June 2020: nil, 31 December 2020: nil). This is included in interest receivable balance and interest income.

Parent includes ICBC Head Office and other branches.

There are no loan guaranteed by related parties as at 30 June 2021 (30 June 2020: nil; 31 December 2020: nil).

As at 30 June 2021, there is no loans transferred to ICBC Hong Kong Branch by risk participation agreement (30 June 2020: \$187M, 31 December 2020: \$187M).

## Note 10 – Balances with Related Parties (continued)

### C. Senior management compensation

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Salaries and other short-term benefits	864	1,310	2,070
Other benefits	-	-	-
<b>Total key management compensation</b>	<b>864</b>	<b>1,310</b>	<b>2,070</b>

### D. Guarantees

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

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

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

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's Corporation	Fitch Ratings Ltd.
Long-term Foreign Currency Bank Deposits Rating	A1 (Upper-medium grade and low credit risk)	A (Strong capacity to meet obligations but subject to adverse economic conditions)	A (Strong Capacity to meet obligation but vulnerable to adverse business or economic conditions)
Short-term Foreign Currency Bank Deposits Rating	P-1 (Superior ability to repay short-term debt)	A-1 (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 2021	Unaudited 30 June 2020	Audited 31 December 2020
Government	254,166	423,361	247,768
Finance (including banks)	224,341	373,692	183,466
Households	486,105	453,884	458,453
Transport and storage	41,638	137,461	85,590
Communications	27,285	27,285	27,285
Accommodation and food service	50,236	21,984	21,984
Construction	57,941	260,108	145,850
Property services	602,008	346,008	436,291
Agriculture	5,300	5,303	5,303
Forestry, fishing and mining	50,134	92,821	91,585
Health and community services	157,984	165,386	165,048
Retail and wholesale trade	60,135	60,129	70,129
Manufacturing	78,466	91,473	83,073
Education	-	179	22,665
Less: allowance for impairment provisioning	(13,205)	(12,952)	(13,377)
<b>Total financial assets</b>	<b>2,082,534</b>	<b>2,446,122</b>	<b>2,031,113</b>
Less: non-interest earning financial assets	(3,562)	(17,350)	(1,547)
<b>Total interest earning and discount bearing financial assets</b>	<b>2,078,972</b>	<b>2,428,772</b>	<b>2,029,566</b>

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

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
New Zealand	1,870,504	2,202,883	1,801,248
Overseas	212,030	243,239	229,865
<b>Total financial assets</b>	<b>2,082,534</b>	<b>2,446,122</b>	<b>2,031,113</b>

Note 11 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Loans and advances to customers	1,632,589	1,681,432	1,613,933
Derivative financial instruments	1,443	4,659	3,333
Trade and Other Receivables	-	-	-
Other financial assets	2,785	3,173	3,066
<b>On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)</b>	<b>1,636,817</b>	<b>1,689,264</b>	<b>1,620,332</b>
Cash and cash equivalents	213,121	364,738	194,788
Amounts due from related parties	5,730	1,951	3,024
Due from other financial institutions	30,000	183,900	10,000
Investment securities	194,569	189,154	197,210
Derivative financial instruments	984	15,497	4,365
Loans and advances to customers	-	-	-
Tax receivable	-	-	-
Other financial assets	1,313	1,618	1,394
<b>Total on Balance Sheet Credit Exposures</b>	<b>2,082,534</b>	<b>2,446,122</b>	<b>2,031,113</b>
Off Balance Sheet Exposures	437,619	453,877	430,724
<b>Total Off Balance Sheet Credit Exposures</b>	<b>437,619</b>	<b>453,877</b>	<b>430,724</b>

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

As at 30 June 2021, 51.48% of the Bank's mortgage portfolio is owner-occupied residential properties (30 June 2020: 56.45%, 31 December 2020: 53.97%).

As at the reporting date, of the drawn balances on credit facilities with undrawn commitments, there are none that are classified as individually impaired, or balances under administration (30 June 2020: nil, 31 December 2020: nil).

## Note 11 – Concentration of Credit Risk (continued)

### (i) Credit exposure to individual counterparties

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

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

Peak End of Day Credit Exposures	Unaudited During the 6 months period ended 30 June 2021			Unaudited During the 6 months period ended 30 June 2020			Audited During the 6 months period ended 31 December 2020		
	Number of Bank Counterparties			Number of Bank Counterparties			Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-	1	-	-	1	-	-
15% - 19%	1	-	-	-	-	-	1	-	-
20% - 24%	-	-	-	2	-	-	1	-	-
25% - 29%	-	-	-	-	-	-	1	-	-
30% - 34%	1	-	-	1	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	-	-	-
40% - 44%	1	-	-	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-	1	-	-
50% - 54%	-	-	-	1	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-	1	-	-
65% - 69%	-	-	-	1	-	-	-	-	-
70% - 74%	-	-	-	1	-	-	-	-	-
75% - 79%	-	-	-	-	-	-	-	-	-
80% - 84%	-	-	-	-	-	-	-	-	-
85% - 89%	-	-	-	-	-	-	-	-	-
90% - 95%	-	-	-	-	-	-	-	-	-

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

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

Note 11 – Concentration of Credit Risk (continued)

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2021			Unaudited As at 30 June 2020			Audited As at 31 December 2020		
	Number of Bank Counterparties			Number of Bank Counterparties			Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	2	-	-	2	-	-	1	-	-
15% - 19%	-	-	-	-	-	-	-	-	-
20% - 24%	1	-	-	1	-	-	-	-	-
25% - 29%	-	-	-	-	-	-	-	-	-
30% - 34%	-	-	-	-	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 65%	-	-	-	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-	-	-	-
70% - 75%	-	-	-	1	-	-	-	-	-

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2021			Unaudited As at 30 June 2020			Audited As at 31 December 2020		
	Number of Other Counterparties			Number of Other Counterparties			Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	9	-	-	8	-	-	8
15% - 19%	-	-	6	-	-	8	-	-	8
20% - 24%	1	-	6	-	-	5	-	-	5
25% - 29%	-	-	2	-	-	3	-	-	2
30% - 34%	-	-	-	1	-	2	1	-	2
35% - 39%	-	-	2	-	-	1	-	-	1
40% - 44%	-	-	-	-	-	1	-	-	-
45% - 49%	-	-	-	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-	-	-	-
65% - 70%	-	-	-	-	-	-	-	-	-

Notes:

"A" Rated – those counterparties that have a long-term credit rating of A- or A3 or above, or its equivalent.

"B" Rated – those counterparties that have long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent.

Unrated – those counterparties that do not have a long-term credit rating for the reporting period.

The Bank had no central government, central bank, supranational or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregated credit exposure, as at 30 June 2021, and peak end-of-day aggregate credit exposure, for the six months ended 30 June 2021, equalled or exceeded 10% of the Bank's Common Equity Tier One Capital.

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

## 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 2021	Unaudited 30 June 2020	Audited 31 December 2020
<b><u>New Zealand</u></b>			
Transport and storage	50,242	59,048	26,208
Financing investment and insurance	617,344	771,858	716,865
Food and other manufacturing	793	177,739	171,552
Construction	24,886	23,961	11,006
Communication	243	1,692	880
Government, local authorities and services	39,384	40,223	59,198
Agriculture	1	14	1
Forestry	1,991	150	279
Health and community services	23	16	21
Property and business services	16,128	22,581	19,335
Accommodation and food services	1,059	945	134
Education	35,392	49,382	9,121
Retail and wholesale trade	1,774	6,572	3,039
Other	16,874	8,331	13,946
Households	57,812	69,651	73,482
<b><u>Overseas</u></b>			
Amounts due to related parties	616,090	764,911	497,178
Financing investment and insurance (not including ICBC group)	263,815	78,922	64,249
Households	74,863	114,481	106,663
Other deposits	968	1,529	1,984
<b>Total financial liabilities</b>	<b>1,819,682</b>	<b>2,192,006</b>	<b>1,775,141</b>
Less: non-interest bearing financial liabilities	(60,495)	(69,148)	(66,347)
<b>Total interest and discount bearing liabilities</b>	<b>1,759,187</b>	<b>2,122,858</b>	<b>1,708,794</b>

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

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Deposits from customers	502,546	797,628	650,797
Registered Banks	1	1	1
Derivative financial liabilities	1,852	4,662	3,292
Certificates of deposit	134,304	42,427	79,750
Subordinated loans due to related parties	70,000	70,000	70,000
Debts securities issued	546,340	560,914	523,178
Related Parties	544,661	691,051	424,717
Lease liabilities	8,862	8,389	9,645
Other	11,116	16,934	13,761
<b>Total financial liabilities</b>	<b>1,819,682</b>	<b>2,192,006</b>	<b>1,775,141</b>

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



## Note 13 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Performance/financial guarantees issued on behalf of customers	-	8,582	8,662
<b>Total contingent liabilities</b>	-	8,582	8,662
<b>Undrawn Commitments</b>	437,619	445,295	422,062

## Note 14 – Subsequent Events after Balance Sheet Date

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

## Note 15 – Dividend

During the 6 months ended 30 June 2021 the Bank has not paid any dividends to its shareholder (30 June 2020: nil, 31 December 2020: 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 13, 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 2021		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash, cash equivalents and balances with central banks	213,121	-	213,121	-	213,121
Amounts due from related parties	5,730	-	5,730	-	5,730
Due from banks and other financial institutions	30,000	-	30,000	-	30,000
Investment securities	194,569	200,523	-	-	200,523
Derivative financial assets	2,427	-	2,427	-	2,427
Loans and advances to customers	1,632,589	-	1,635,550	-	1,635,550
Other financial assets	4,098	-	4,098	-	4,098
<b>Total financial assets</b>	<b>2,082,534</b>	<b>200,523</b>	<b>1,890,926</b>	<b>-</b>	<b>2,091,449</b>
<b>Financial liabilities</b>					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	544,661	-	544,661	-	544,661
Derivative financial liabilities	1,852	-	1,852	-	1,852
Deposits from customers	502,546	-	502,737	-	502,737
Certificates of deposit	134,304	-	134,218	-	134,218
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	546,340	-	550,430	-	550,430
Lease liabilities	8,862	-	8,862	-	8,862
Other financial liabilities	11,116	-	11,116	-	11,116
<b>Total financial liabilities</b>	<b>1,819,682</b>	<b>-</b>	<b>1,823,877</b>	<b>-</b>	<b>1,823,877</b>

Unaudited 30 June 2020		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
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
<b>Total financial assets</b>	<b>2,446,122</b>	<b>200,303</b>	<b>2,261,808</b>	<b>-</b>	<b>2,462,111</b>
<b>Financial liabilities</b>					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	691,051	-	691,051	-	691,051
Derivative financial liabilities	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
<b>Total financial liabilities</b>	<b>2,192,006</b>	<b>-</b>	<b>2,196,799</b>	<b>-</b>	<b>2,196,799</b>

Note 16 – Fair Value of Financial Instruments (continued)

Audited 31 December 2020		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash, cash equivalents and balances with central banks	194,788	-	194,788	-	194,788
Amounts due from related parties	3,024	-	3,024	-	3,024
Due from banks and other financial institutions	10,000	-	10,000	-	10,000
Investment securities	197,210	208,083	-	-	208,083
Derivative financial assets	7,698	-	7,698	-	7,698
Loans and advances to customers	1,613,933	-	1,616,187	-	1,616,187
Other financial assets	4,460	-	4,460	-	4,460
<b>Total financial assets</b>	<b>2,031,113</b>	<b>208,083</b>	<b>1,836,157</b>	<b>-</b>	<b>2,044,240</b>
<b>Financial liabilities</b>					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	424,717	-	424,717	-	424,717
Derivative financial liabilities	3,292	-	3,292	-	3,292
Deposits from customers	650,797	-	651,615	-	651,615
Certificates of deposit	79,750	-	79,750	-	79,750
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	523,178	-	529,623	-	529,623
Lease liabilities	9,645	-	9,645	-	9,645
Other financial liabilities	13,761	-	13,761	-	13,761
<b>Total financial liabilities</b>	<b>1,775,141</b>	<b>-</b>	<b>1,782,404</b>	<b>-</b>	<b>1,782,404</b>

## 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 2021	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
<b>Financial liabilities</b>						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	99,100	81,073	3,684	369,404	-	553,261
Deposits from customers	79,053	213,867	209,959	3,862	-	506,741
Certificates of deposit	-	80,000	55,000	-	-	135,000
Subordinated loans due to related parties	-	193	595	70,586	-	71,374
Debt securities issued	-	11,773	234,513	316,892	-	563,178
Long-term lease liabilities	-	376	1,142	5,651	2,305	9,474
Other financial liabilities	-	90	7,204	-	-	7,294
<b>Total financial liabilities</b>	<b>178,154</b>	<b>387,372</b>	<b>512,097</b>	<b>766,395</b>	<b>2,305</b>	<b>1,846,323</b>
<b>Derivative cash flows</b>						
Inflows from derivatives	-	78,561	3,598	8,473	-	90,632
Outflows from derivatives	-	(79,166)	(2,239)	(6,550)	-	(87,955)
<b>Total</b>	<b>-</b>	<b>(605)</b>	<b>1,359</b>	<b>1,923</b>	<b>-</b>	<b>2,677</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	437,619	-	-	-	-	437,619
<b>Total</b>	<b>437,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>437,619</b>

Note 17 – Liquidity Risk (continued)

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						
<b>Financial liabilities</b>						
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
<b>Total financial liabilities</b>	<b>270,914</b>	<b>268,937</b>	<b>835,888</b>	<b>851,253</b>	<b>2,644</b>	<b>2,229,636</b>
<b>Derivative cash flows</b>						
Inflows from derivatives	-	97,483	55,340	11,390	-	164,213
Outflows from derivatives	-	(89,654)	(50,594)	(8,430)	-	(148,678)
<b>Total</b>	<b>-</b>	<b>7,829</b>	<b>4,746</b>	<b>2,960</b>	<b>-</b>	<b>15,535</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees outflows	-	-	2,082	6,500	-	8,582
Commitments outflows	445,295	-	-	-	-	445,295
<b>Total</b>	<b>445,295</b>	<b>-</b>	<b>2,082</b>	<b>6,500</b>	<b>-</b>	<b>453,877</b>

Note 17 – Liquidity Risk (continued)

<b>Audited 31 December 2020</b>	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
<b>Financial liabilities</b>						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	119,143	768	2,910	309,928	-	432,749
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	66,313	367,457	202,104	24,600	-	660,474
Certificates of deposit	-	40,000	40,000	-	-	80,000
Subordinated loans due to related parties	-	197	566	70,961	-	71,724
Debt securities issued	-	78,809	115,645	344,248	-	538,702
Lease liabilities	-	378	1,146	5,961	2,851	10,336
Other financial liabilities	-	53	342	-	-	395
<b>Total financial liabilities</b>	<b>185,457</b>	<b>487,662</b>	<b>362,713</b>	<b>755,698</b>	<b>2,851</b>	<b>1,794,381</b>
<b>Derivative cash flows</b>						
Inflows from derivatives	-	80,561	3,945	9,462	-	93,968
Outflows from derivatives	-	(79,555)	(2,549)	(6,874)	-	(88,978)
<b>Total</b>	<b>-</b>	<b>1,006</b>	<b>1,396</b>	<b>2,588</b>	<b>-</b>	<b>4,990</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees outflows	-	5,523	3,139	-	-	8,662
Commitments outflows	422,062	-	-	-	-	422,062
<b>Total</b>	<b>422,062</b>	<b>5,523</b>	<b>3,139</b>	<b>-</b>	<b>-</b>	<b>430,724</b>

Liquidity portfolio management

Thousands of dollars	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Cash, cash equivalents and balances with central banks	213,121	364,738	194,788
Due from banks and other financial institutions	30,000	183,900	10,000
Investment securities	194,569	189,154	197,210
<b>Total liquidity portfolio</b>	<b>437,690</b>	<b>737,792</b>	<b>401,998</b>

## 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 2021	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
<b>Financial assets</b>							
Cash, cash equivalents and balances with central banks	10,402	202,719	-	-	-	-	213,121
Amounts due from related parties	-	5,730	-	-	-	-	5,730
Due from banks and other financial institutions	-	30,000	-	-	-	-	30,000
Investment securities	(9)*	9,000	-	-	21,576	164,002	194,569
Derivative financial assets	2,427	-	-	-	-	-	2,427
Loans and advances to customers	(13,197)*	1,240,065	96,792	227,696	78,598	2,635	1,632,589
Other financial assets	3,939	-	-	-	-	159	4,098
<b>Total financial Assets</b>	<b>3,562</b>	<b>1,487,514</b>	<b>96,792</b>	<b>227,696</b>	<b>100,174</b>	<b>166,796</b>	<b>2,082,534</b>
<b>Financial liabilities</b>							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	429,100	115,561	-	-	-	544,661
Derivative financial liabilities	1,852	-	-	-	-	-	1,852
Deposits from customers	47,527	244,186	108,237	99,023	2,652	921	502,546
Certificates of deposit	-	79,781	-	54,523	-	-	134,304
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	430,494	-	7,913	8,032	99,901	546,340
Lease liabilities	-	-	7	16	-	8,839	8,862
Other financial liabilities	11,116	-	-	-	-	-	11,116
<b>Total financial liabilities</b>	<b>60,495</b>	<b>1,218,562</b>	<b>258,805</b>	<b>161,475</b>	<b>10,684</b>	<b>109,661</b>	<b>1,819,682</b>
<b>On-balance sheet gap</b>	<b>(56,933)</b>	<b>268,952</b>	<b>(162,013)</b>	<b>66,221</b>	<b>89,490</b>	<b>57,135</b>	<b>262,852</b>
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
<b>Net effective interest rate gap</b>	<b>(56,933)</b>	<b>168,952</b>	<b>(162,013)</b>	<b>66,221</b>	<b>89,490</b>	<b>157,135</b>	<b>262,852</b>

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

Note 18 – Interest Rate Risk (continued)

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							
<b>Financial assets</b>							
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
<b>Total financial Assets</b>	<b>17,350</b>	<b>1,777,286</b>	<b>147,440</b>	<b>253,114</b>	<b>74,073</b>	<b>176,859</b>	<b>2,446,122</b>
<b>Financial liabilities</b>							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	582,672	108,379	-	-	-	691,051
Derivative financial liabilities	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
<b>Total financial liabilities</b>	<b>69,148</b>	<b>1,315,058</b>	<b>339,506</b>	<b>306,611</b>	<b>43,922</b>	<b>117,761</b>	<b>2,192,006</b>
<b>On-balance sheet gap</b>	<b>(51,798)</b>	<b>462,228</b>	<b>(192,066)</b>	<b>(53,497)</b>	<b>30,151</b>	<b>59,098</b>	<b>254,116</b>
Net derivative notional principals	-	(125,000)	2,000	23,000	-	100,000	-
<b>Net effective interest rate gap</b>	<b>(51,798)</b>	<b>337,228</b>	<b>(190,066)</b>	<b>(30,497)</b>	<b>30,151</b>	<b>159,098</b>	<b>254,116</b>

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



## Note 18 – Interest Rate Risk (continued)

<b>Audited 31 December 2020</b>	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							
<b>Financial assets</b>							
Cash, cash equivalents and balances with central banks	2,925	191,863	-	-	-	-	194,788
Amounts due from related parties	-	3,024	-	-	-	-	3,024
Due from banks and other financial institutions	-	10,000	-	-	-	-	10,000
Investment securities	(9)*	14,001	13,135	-	6,221	163,862	197,210
Derivative financial assets	7,698	-	-	-	-	-	7,698
Loans and advances to customers	(13,368)*	1,220,793	185,372	170,402	45,089	5,645	1,613,933
Other financial assets	4,301	-	-	-	-	159	4,460
<b>Total financial Assets</b>	<b>1,547</b>	<b>1,439,681</b>	<b>198,507</b>	<b>170,402</b>	<b>51,310</b>	<b>169,666</b>	<b>2,031,113</b>
<b>Financial liabilities</b>							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	369,143	55,574	-	-	-	424,717
Derivative financial liabilities	3,292	-	-	-	-	-	3,292
Deposits from customers	49,294	379,365	126,070	72,211	22,234	1,623	650,797
Certificates of deposit	-	39,936	39,814	-	-	-	79,750
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	397,214	-	10,140	15,513	100,311	523,178
Lease liabilities	-	-	-	14	27	9,604	9,645
Other financial liabilities	13,761	-	-	-	-	-	13,761
<b>Total financial liabilities</b>	<b>66,347</b>	<b>1,220,659</b>	<b>256,458</b>	<b>82,365</b>	<b>37,774</b>	<b>111,538</b>	<b>1,775,141</b>
<b>On-balance sheet gap</b>	<b>(64,800)</b>	<b>219,022</b>	<b>(57,951)</b>	<b>88,037</b>	<b>13,536</b>	<b>58,128</b>	<b>255,972</b>
Net derivative notional principals	-	(98,000)	(2,000)	-	-	100,000	-
<b>Net effective interest rate gap</b>	<b>(64,800)</b>	<b>121,022</b>	<b>(59,951)</b>	<b>88,037</b>	<b>13,536</b>	<b>158,128</b>	<b>255,972</b>

\*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 2021.

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

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

The ordinary shares issuance details is shown as below:

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

## Note 19 – Capital Adequacy (continued)

### (b) Other Classes of Capital Instrument

As at 30 June 2021, the Bank had issued 5-year subordinated loans of NZ\$70m ("The loan") to ICBC Head Office (Note 8). The loan is subordinated, unsecured. 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.

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 2021, 30 June 2020, and 31 December 2020. The Bank has complied with both regulatory and internal capital adequacy requirements.

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

### (c) Tier one and two Capital

Thousands of dollars	30 June 2021	30 June 2020	31 December 2020
<b>Tier one capital</b>			
<b>Common Equity Tier one capital</b>			
Issued and fully paid up share capital	233,540	233,540	233,540
Retained earnings	42,540	32,781	36,367
Accumulated other comprehensive income and other disclosed reserves	-	-	-
Interest from issue of ordinary shares	-	-	-
<b>Less:</b>	-	-	-
Goodwill and other intangible assets	(5)	(10)	(7)
Regulatory adjustments	-	-	-
Deferred tax assets	(5,043)	(5,231)	(4,658)
<b>Total common equity tier one capital</b>	<b>271,032</b>	<b>261,080</b>	<b>265,242</b>
<b>Additional Tier one capital</b>			
High-quality capital	-	-	-
Instruments issued	-	-	-
Share premium from issue of instruments	-	-	-
Associated retained earnings	-	-	-
<b>Less: Regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total additional tier one capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total tier one capital</b>	<b>271,032</b>	<b>261,080</b>	<b>265,242</b>
<b>Tier two capital</b>			
Subordinated loans due to related parties	28,000	42,000	35,000
Share premium from issue of instruments	-	-	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	-	-	-
<b>Less: Regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total tier two capital</b>	<b>28,000</b>	<b>42,000</b>	<b>35,000</b>
<b>Total capital</b>	<b>299,032</b>	<b>303,080</b>	<b>300,242</b>

The bank currently has NZ \$70M of capital instruments subject to phase-out eligibility, of which includes Tier two capital of NZ\$28M in terms of RBNZ's Basel III transitional arrangement.

Note 19 – Capital Adequacy (continued)

(d) Credit Risk

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

Note 19 – Capital Adequacy (continued)

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

Note 19 – Capital Adequacy (continued)

30 June 2020	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of on-balance-sheet exposures	\$'000	%	\$'000	\$'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	351,881	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	70,812	20%	14,162	1,133
Public sector entities – government body and universities	-	20%	-	-
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 (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	4,929	100%	4,929	394
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	38,954	100%	38,954	3,116
<b>Total on balance sheet exposures after credit risk mitigation</b>	<b>2,460,083</b>	<b>-</b>	<b>1,511,476</b>	<b>120,918</b>

Note 19 – Capital Adequacy (continued)

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	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	8,575	50%	4,287	100%	4,287	343
Trade-related contingency	-	20%	-	-	-	-
Placements of forward deposits	-	100%	-	100%	-	-
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	-	0%	-	100%	-	-
<b>Market related contracts</b>						
(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)	200,000	0.50%	1,000	100%	1,000	80
Interest rate contracts (exposure more than 5 years)	25,000	1.50%	375	100%	375	30
(c) Other - OTC, etc.	-	10%	-	100%	-	-
<b>Total off-balance sheet exposures</b>	<b>967,628</b>	<b>-</b>	<b>229,004</b>	<b>-</b>	<b>200,307</b>	<b>16,025</b>

Note 19 – Capital Adequacy (continued)

31 December 2020	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Calculation of on-balance-sheet exposures	\$'000	%	\$'000	\$'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	176,616	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	70,475	20%	14,095	1,128
Public sector entities – government body and universities	22,464	20%	4,493	359
Banks rating grade 1	117,281	20%	23,456	1,876
Banks rating grade 2 (≤3 months)	11,846	20%	2,369	190
Banks rating grade 2 (>3 months)	43,789	50%	21,894	1,752
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,119,554	100%	1,119,554	89,564
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due - LVR up to 80%.	245,303	35%	85,856	6,868
Residential mortgages (investment) not past due -LVR up to 80%.	209,657	40%	83,863	6,709
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	75%	-	-
Past due residential mortgages	(25)	100%	(25)	(2)
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	1,935	100%	1,935	155
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	27,162	100%	27,162	2,173
<b>Total on balance sheet exposures after credit risk mitigation</b>	<b>2,046,057</b>	<b>-</b>	<b>1,384,652</b>	<b>110,772</b>

Note 19 – Capital Adequacy (continued)

31 December 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	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	3,750	50%	1,875	100%	1,875	150
Trade-related contingency	4,911	20%	982	100%	982	79
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	380,361	50%	190,181	100%	190,181	15,214
Other commitments where original maturity is more than one year	39,997	50%	19,998	20%	4,000	320
Other commitments where original maturity is less than or equal to one year	1,440	20%	288	100%	288	23
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
<b>Market related contracts</b>						
(a) Foreign exchange contracts	79,752	1%	797	100%	797	64
(b) Interest rate contracts (exposure less than 1 year)	141,000	0%	-	100%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	225,000	0.50%	1,125	100%	1,125	90
Interest rate contracts (exposure more than 5 years)	-	1.5%	-	100%	-	-
(c) Other - OTC, etc.	-	10%	-	100%	-	-
<b>Total off-balance sheet exposures</b>	<b>876,211</b>	<b>-</b>	<b>215,246</b>	<b>-</b>	<b>199,248</b>	<b>15,940</b>

**Credit Risk Mitigation**

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



## Note 19 – Capital Adequacy (continued)

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

#### 30 June 2021

Thousands of dollars

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

#### 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

#### 31 December 2020

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	454,935	-	-	454,935

### (f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2021	30 June 2020	31 December 2020
<b>Residential mortgage loans (as disclosed in Note 5)</b>			
<b>On balance sheet exposures</b>			
Residential – owner occupied	249,830	255,741	247,025
Residential - investment	235,491	197,316	210,663
Provisions for impairment losses on loans and advances	(3,209)	(2,734)	(2,753)
Residential mortgages by loan-to-valuation ratio	482,112	450,323	454,935
<b>Off balance sheet exposures</b>	-	-	-
<b>Total</b>	<b>482,112</b>	<b>450,323</b>	<b>454,935</b>

### (g) Credit risk mitigation

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

Note 19 – Capital Adequacy (continued)

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

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

(h) Operational risk capital requirement

30 June 2021	Implied risk weighted exposure	Total operational risk capital requirement
Thousands of dollars		
Operational risk	110,188	8,815

30 June 2020	Implied risk weighted exposure	Total operational risk capital requirement
Thousands of dollars		
Operational risk	104,538	8,363

31 December 2020	Implied risk weighted exposure	Total operational risk capital requirement
Thousands of dollars		
Operational risk	108,950	8,716

## Note 19 – Capital Adequacy (continued)

### (i) Market Risk

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

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

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

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

30 June 2020	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Thousands of dollars			
Total credit risk + equity	3,427,711	1,711,783	136,943
Operational risk	-	104,538	8,363
Market risk	-	72,613	5,809
<b>Total</b>	<b>3,427,711</b>	<b>1,888,934</b>	<b>151,115</b>

## Note 19 – Capital Adequacy (continued)

31 December 2020	End-period capital charges		Peak end-of-day capital charges	
	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Thousands of dollars				
Interest rate risk	60,150	4,812	78,313	6,265
Foreign currency risk	4,750	380	5,525	442
Equity risk	-	-	-	-
<b>Total capital requirements</b>	<b>64,900</b>	<b>5,192</b>	<b>83,838</b>	<b>6,707</b>

31 December 2020	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Thousands of dollars			
Total credit risk + equity	2,922,268	1,583,900	126,712
Operational risk	-	108,950	8,716
Market risk	-	64,900	5,192
<b>Total</b>	<b>2,922,268</b>	<b>1,757,750</b>	<b>140,620</b>

### Capital ratios

Regulatory Capital Ratios	Regulatory Minimum	30 June 2021	30 June 2020	31 December 2020
Common Equity Tier 1 Capital Ratio	4.50%	14.99%	13.82%	15.09%
Tier 1 Capital Ratio	6.00%	14.99%	13.82%	15.09%
Total Qualifying Capital Ratio	8.00%	16.54%	16.05%	17.08%
RBNZ required Buffer Ratio	2.50%	8.54%	7.82%	9.08%

### (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 2020: 2%, 31 December 2020: 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 2021	Unaudited For the 3 months ended 31 March 2021
One-week mismatch ratio	10.4%	13.4%
One-month mismatch ratio	13.9%	16.2%
Core funding ratio	89.0%	82.5%

	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%

## Note 19 – Capital Adequacy (continued)

	Unaudited For the 3 months ended 31 December 2020	Unaudited For the 3 months ended 30 September 2020
One-week mismatch ratio	10.35%	12.70%
One-month mismatch ratio	16.71%	19.26%
Core funding ratio	84.29%	86.54%

### (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](http://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 2021, the latest reporting date.

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

	31 March 2021	31 March 2020	31 December 2020
<b>Ultimate Parent Bank Group</b>			
Common Equity Tier 1 Capital Ratio	13.29%	13.15%	13.18%
Tier 1 Capital Ratio	14.36%	14.19%	14.28%
Total Capital Ratio	17.01	16.52%	16.88%
<b>Ultimate Parent Bank</b>			
Common Equity Tier 1 Capital Ratio	13.21%	13.12%	13.14%
Tier 1 Capital Ratio	14.28%	14.14%	14.24%
Total Qualifying Capital Ratio	17.11%	16.64%	17.02%

## 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 2020.

## 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 AUDITOR'S REVIEW REPORT

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

#### Conclusion

We have reviewed pages 14 to 61 of the Disclosure Statement of Industrial and Commercial Bank of China (New Zealand) Limited (the 'Bank'), which comprises the interim financial statements of the Bank and the supplementary information required to be disclosed under Schedules 5, 7, 9, 13, 16 and 18 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

The interim financial statements comprise the statement of financial position of the Bank as at 30 June 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

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

- the interim financial statements on pages 14 to 61 (excluding the supplementary information) have not been prepared and do not present fairly, in all material respects, the financial position of the Bank as at 30 June 2021 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*;
- the supplementary information disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order does not fairly state the matters to which it relates in accordance with those Schedules; and
- the supplementary information disclosed on pages 49 to 61 relating to capital adequacy and regulatory liquidity requirements as required by Schedule 9 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

#### Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Disclosure Statement* section of our report.

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

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

#### Directors' responsibilities for the Disclosure Statement

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

The Directors are also responsible for the preparation and presentation of the supplementary information which fairly states the matters required to be disclosed under Schedules 3, 5, 7, 9, 13, 16 and 18 of the Order.

## Auditor's responsibilities for the review of the Disclosure Statement

Our responsibility is to express a conclusion on the interim financial statements and the supplementary information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that:

- the interim financial statements presented by the Directors (excluding the supplementary information), taken as a whole, are not prepared and do not present fairly the matters to which they relate, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*;
- the supplementary information presented by the Directors (excluding the supplementary information relating to capital adequacy and regulatory liquidity requirements) does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information presented by the Directors related to capital adequacy and regulatory liquidity requirements is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

A review of the interim financial statements and the supplementary information in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the interim financial statements or the supplementary information.

## Restriction on use

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



Jason Stachurski  
**Partner**  
**for Deloitte Limited**  
**Auckland, New Zealand**  
**27 August 2021**

This review report relates to the unaudited interim Disclosure Statement of Industrial and Commercial Bank of China (New Zealand) Limited (the 'Bank') for the six months ended 30 June 2021 included on the Bank's website. The Bank's Board of Directors is responsible for the maintenance and integrity of the Bank's website. We have not been engaged to report on the integrity of the Bank's website. We accept no responsibility for any changes that may have occurred to the unaudited interim Disclosure Statement since it was initially presented on the website. The review report refers only to the unaudited interim Disclosure Statement named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this unaudited interim Disclosure Statement. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited interim Disclosure Statement and related review report dated 27 August 2021 to confirm the information included in the unaudited interim Disclosure Statement presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.