

INDUSTRIAL AND COMMERCIAL BANK OF CHINA NEW ZEALAND BANKING GROUP

Disclosure Statement

For the six months ended 30 June 2023



Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China Limited for the year ended 30 June 2023 in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

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

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

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

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

Address for Service

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

- (a) The registered address of ICBC is:

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

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

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

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

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

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

Nature of Business

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

Limits on Material Financial Support by the Overseas Bank

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

Subordination of Claims of Creditors

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

Requirement to Hold Excess Assets over Deposit Liabilities

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

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

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

Guarantee Arrangements

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

Directorate

Directors of the Overseas Bank

The following change to the composition of the Board have occurred since the publication of Overseas Bank's full year Disclosure Statement for the year ended 31 December 2022:

- At the Annual General Meeting for the Year 2022 held on 29 June 2023, Weidong Feng and Liqun Cao were re-elected as Non-executive Directors of the Bank, and their new terms of office started from the day of approval by the Annual General Meeting.
- In April 2023, Guoyu Zheng ceased to act as Executive Director of the Bank due to change of job assignments.

Apart from the above, there have been no other changes in the Board since 31 December 2022.

Responsible Person

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

Auditor

The name and address of the auditor whose independent 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 Limited in New Zealand

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

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

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

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

In these conditions of registration,—

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

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

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

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

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC Rating Information

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

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's 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 (Strong capacity to meet the financial commitments on the obligations)	F1+ (Strongest capacity for timely payment of financial commitments)
Outlook	Stable	Stable	Stable

Rating movement history

On 28 March 2023, Standard & Poor's Global Ratings affirmed the long-term and short-term issuer credit rating and maintained a stable outlook.

On 21 June 2023, Moody's Investors Service affirmed the ICBC's A1 long-term deposit rating and P-1 short-term deposit rating, reflecting Moody's view that the willingness and capacity of the Government of China (A1 stable) to support ICBC will remain unchanged over the next 12-18 months; and the Bank's asset quality, capitalization and profitability will remain stable during this period.

On 25 May 2023, Fitch Ratings affirmed ICBC's a long term credit rating and F1+ short term issuer default rating.

There has not been any external rating movement in the last 3 years.

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

Rating Information

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

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

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

² Credit ratings are statements of opinion 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 Directors of the Overseas Bank are of the opinion that there are no other matters relating to the business or affairs of the NZ Banking Group that are not contained elsewhere in this Disclosure Statement and which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Overseas Bank or any member of its NZ Banking Group is the issuer.

Directors' and New Zealand Chief Executive Officer's Statements

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

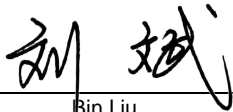
1. As at the date on which the Disclosure Statement is signed:

- (a) The Disclosure Statement contains all the information that is required by the Order; and
- (b) The Disclosure Statement is not false or misleading.

2. During the six months ended 30 June 2023:

- (a) The Overseas Bank has complied with all material respects with each condition of registration that applied during that period;
- (b) The Branch and ICBC NZ had systems in place to monitor and control adequately relevant members of the NZ Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 31 August 2023 and has been signed by Bin Liu as the New Zealand Acting Chief Executive Officer and as agent authorised in writing by each director of Overseas Bank.



Bin Liu

New Zealand Acting Chief Executive Officer

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China NZ Banking Group

Financial Statements for the six months ended 30 June 2023

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STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Unaudited 30 June 2023 6 months	Unaudited 30 June 2022 6 months	Audited 31 December 2022 12 months
Interest income*		118,471	53,369	139,836
Interest expense*		(82,781)	(25,567)	(80,110)
Net Interest Income		35,690	27,802	59,726
Net gains/(losses) on financial instruments at fair value through P&L		3,546	(8,308)	(5,347)
Fees and other Income/(losses)	2	(321)	7,038	4,211
Total operating income		38,915	26,532	58,590
Operating expenses		(12,152)	(10,394)	(21,302)
Impairment provisioning on financial assets	3	(4,163)	(953)	(2,245)
Net profit before taxation		22,600	15,185	35,043
Taxation expense	4	(6,353)	(4,283)	(9,872)
Net profit after taxation		16,247	10,902	25,171
Other comprehensive income		-	-	-
Total comprehensive income		16,247	10,902	25,171

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

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

STATEMENT OF CHANGES IN EQUITY

Thousands of dollars	Note	Branch Head Office Account		Other members of the NZ Banking Group		Total
		Branch Capital	Retained Earnings	Share Capital	Retained Earnings	
For the six months ended 30 June 2023 (unaudited)						
Balance at 31 December 2022		84,000	12,898	233,540	64,642	395,080
Capital injection from shareholders		-	-	-	-	-
Net profit and other comprehensive income for the year		-	6,066	-	10,181	16,247
Total equity movement for the year		-	6,066	-	10,181	16,247
Balance at 30 June 2023		84,000	18,964	233,540	74,823	411,327
For the six months ended 30 June 2022 (unaudited)						
Balance at 31 December 2021		84,000	4,476	233,540	47,893	369,909
Capital injection from shareholders		-	-	-	-	-
Net profit and other comprehensive income for the year		-	4,001	-	6,901	10,902
Total equity movement for the year		-	4,001	-	6,901	10,902
Balance at 30 June 2022		84,000	8,477	233,540	54,794	380,811
For the year ended 31 December 2022 (audited)						
Balance at 31 December 2021		84,000	4,476	233,540	47,893	369,909
Capital injection from shareholders		-	-	-	-	-
Net profit and other comprehensive income for the year		-	8,422	-	16,749	25,171
Total equity movement for the year		-	8,422	-	16,749	25,171
Balance at 31 December 2022		84,000	12,898	233,540	64,642	395,080

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

STATEMENT OF FINANCIAL POSITION

Thousands of dollars	Note	Unaudited As at 30 June 2023	Unaudited As at 30 June 2022	Audited As at 31 December 2022
Assets				
Cash, cash equivalents and balances with central banks		344,307	216,021	376,876
Amounts due from related parties	10	569	62,715	-
Due from banks and other financial institutions		224,968	20,000	40,000
Investment securities		203,151	203,980	188,726
Derivative financial assets		5,198	3,176	4,617
Loans and advances to customers	5,9	2,989,615	2,740,296	2,985,468
Right-of-use assets		5,927	7,126	6,424
Property, plant and equipment		848	794	1,002
Intangible assets		-	-	-
Deferred tax assets		7,583	7,657	6,888
Other assets		18,141	10,368	15,346
Total assets		3,800,307	3,272,133	3,625,347
Liabilities				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	10	2,023,154	1,468,375	1,825,901
Derivative financial liabilities		8,319	10,269	11,112
Deposits from customers	6	637,872	592,543	565,721
Certificates of deposit	7	107,522	231,391	265,459
Subordinated loans due to related parties	8	-	70,000	35,000
Debt securities issued	7	549,706	482,811	475,180
Lease liabilities		6,526	7,726	7,033
Current tax payable		3,460	3,754	4,722
Other liabilities		52,420	24,452	40,138
Total liabilities		3,388,980	2,891,322	3,230,267
Head office account				
Branch capital		84,000	84,000	84,000
Retained profit		18,964	8,477	12,898
NZ Banking Group's equity				
Share capital		233,540	233,540	233,540
Reserves		74,823	54,794	64,642
Total NZ Banking Group's equity		411,327	380,811	395,080
Total NZ Banking Group's equity and liabilities		3,800,307	3,272,133	3,625,347
Total interest earning and discount bearing assets	17	3,758,843	3,250,912	3,596,830
Total interest and discount bearing liabilities	17	3,270,350	2,790,402	3,115,942
Total liabilities of the Branch, net of amounts due to related parties		49,055	141,600	187,786

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 31 August 2023 and are signed on their behalf by:


 Bin Liu
 New Zealand Acting Chief Executive Officer

STATEMENT OF CASH FLOWS

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Cash flows applied to operating activities			
Interest income	115,240	50,936	133,882
Other income	(150)	2,731	2,267
Interest expense	(71,393)	(19,466)	(57,953)
Long-term lease payments	(869)	(724)	(1,505)
Variable lease	(7)	(4)	(8)
Personnel expenses	(8,196)	(6,549)	(15,329)
Other operating expenses`	(2,208)	(2,522)	(5,433)
Taxes paid	(8,310)	(5,045)	(8,897)
Net cash flows applied to operating activities before changes in operating assets and liabilities	24,107	19,357	47,024
Changes in operating assets and liabilities arising from cash flow movements:			
(Increase)/decrease in loans and advances to customers	(7,564)	(171,976)	(418,760)
Increase / (decrease) in deposits from customers	72,151	(8,198)	(35,020)
Increase/(decrease) in amounts due to related parties	219,018	(125,753)	220,980
Increase/(decrease) in other liabilities	235	14	469
(Increase)/decrease in amounts due from related parties	(569)	144,645	207,360
Increase / (decrease) in certificates of deposit	(157,937)	(26,432)	7,636
Net change in operating assets and liabilities	125,334	(187,700)	(17,335)
Net cash flows applied to operating activities	149,441	(168,343)	29,689
Cash flows applied to investing activities			
Purchase of property, plant and equipment	(5)	(311)	(682)
Purchase of investment securities	(30,000)	(10,000)	(12,354)
Proceeds from maturity of financial securities	15,335	-	17,354
Net cash flows applied to investing activities	(14,670)	(10,311)	4,318
Cash flows applied to financing activities			
Capital injection from shareholders	-	-	-
Receipts/(repayment) from subordinated loans due to related parties	(35,000)	-	(35,000)
Receipts from issuance of debt securities	74,857	174,842	174,842
Repayment of debt securities issued	(432)	(227,913)	(235,512)
Net cash flows applied to financing activities	39,425	(53,071)	(95,670)
Increase/(decrease) in cash and cash equivalents	174,196	(231,725)	(61,663)
Cash and cash equivalents at beginning of year	355,974	417,637	417,637
Cash and cash equivalents	530,170	185,912	355,974
Cash and cash equivalents at end of the period comprised:			
Cash, cash equivalents and balances with central banks	344,307	216,021	376,876
Due from banks and other institutions classified as cash equivalents	225,000	20,000	40,000
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	(39,136)	(50,108)	(60,901)
Total cash and cash equivalents	530,170	185,912	355,974

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 2023	Unaudited 30 June 2022	Audited 31 December 2022
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit after taxation	16,247	10,902	25,171
Non cash movements:			
Unrealised fair value adjustments	(1,595)	2,897	3,414
Depreciation	159	108	269
Amortisation of intangibles	-	2	2
Amortisation of Right-of-use assets	785	711	1,426
Amortisation of financial instruments	205	264	504
Gain/loss on modification of lease contracts	-	-	1
Increase/(decrease) in allowance for impairment losses	4,146	957	(608)
Loss on written-off financial assets	17	-	2,858
Bad debts recovery	-	(4)	(5)
Unrealised foreign exchange gain/(loss)	(1,780)	1,105	(10)
(Increase)/decrease in deferred taxation	(695)	(1,305)	(497)
Amortisation of debt securities issued	101	(129)	(161)
Total non-cash adjustments	1,343	4,606	7,193
(Increase)/decrease in interest receivable	(3,056)	(2,248)	(7,330)
Increase/(decrease) in interest payable	11,210	6,148	22,159
(Increase)/decrease in loans and advances to customers	(7,564)	(171,976)	(418,760)
Increase/(decrease) in deposits from customers	72,151	(8,198)	(35,020)
Increase/(decrease) in certificates of deposit	(157,937)	(26,432)	7,636
Increase/(decrease) in lease liabilities	(794)	(641)	(1,346)
Increase/(decrease) in other liabilities	394	172	173
Increase/(decrease) in amounts due to related parties	219,018	(125,753)	220,980
(Increase)/decrease in current taxation	(1,262)	542	1,471
(Increase)/decrease in other assets	260	(110)	2
(Increase)/decrease in amounts due from related parties	(569)	144,645	207,360
Net cash flows from operating activities	149,441	(168,343)	29,689

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

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the year ended 30 June 2023 (unaudited)

	Balance at the beginning of the year	Net Cash flow	Non-cash changes Amortisation	Foreign Exchange movement	30 June 2023
Subordinated loans due to related parties	35,000	(35,000)	-	-	-
Debt securities issued	475,180	74,425	101	-	549,706
Total liabilities from financing activities	510,180	39,425	101	-	549,706

For the year ended 30 June 2022 (unaudited)

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

For the year ended 31 December 2022 (audited)

	Balance at the beginning of the year	Net Cash flow	Non-cash changes Amortisation	Foreign Exchange movement	31 December 2022
Subordinated loans due to related parties	70,000	(35,000)	-	-	35,000
Debt securities issued	536,011	(60,670)	(161)	-	475,180
Total liabilities from financing activities	606,011	(95,670)	(161)	-	510,180

Note 1 - Accounting Policies

(1) Reporting Entity

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

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). They were approved for issue by the Board of Directors of the Overseas Bank (the "Board") on 31 August 2023.

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

(2) Basis of Preparation

These interim financial statements are for the NZ Banking Group for the six months ended 30 June 2023. They have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit oriented entities, and the New Zealand Equivalent to International Accounting Standards 34, Interim Financial Reporting (NZ IAS 34), International Accounting Standard 34 (IAS 34), and the Order, and should be read in conjunction with the NZ Banking Group's financial statements for the year ended 31 December 2022. These interim financial statements do not include all the disclosures required for full annual financial statements and are condensed financial statements in accordance with NZ IAS 34.

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

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

(3) Basis of Aggregation

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

(4) Presentation Currency

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

(5) Critical accounting estimates and judgments

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

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

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

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

Estimation uncertainties:

Assumptions made as at each reporting date (e.g. the calculation of the ECL and fair value adjustments), are based on best estimates at that time. Although the NZ Banking Group has processes in place to ensure that estimates can be measured, actual amounts may differ from those estimates.

Note 1 - Accounting Policies (continued)

Applying judgment to the situation, the NZ Banking Group recognises the degree of change that has occurred in NZ and in the international macroeconomic environment and the potential for these impacts to emerge over time. Management regularly reviews the adjustments, the estimates and methodologies for the assessment for expected credit loss.

The ECL calculation considers all reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

(6) Change in Accounting Policies

Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2022.

The NZ Banking Group has applied, where relevant, all new or revised accounting standards and interpretations effective for the period ended 30 June 2023, and these did not have a material impact on the Disclosure Statement.

(7) NZ Accounting Standards effective

NZ Climate Standards

The financial sector (climate related disclosures and other matters) amendment Act 2021 amended the Financial markets conduct Act 2013. The amendments require NZ Banking Group to prepare a climate statement for the banks financial year ended 31 December 2023 in terms of the standards issued by the external reporting board. NZ Banking Group is working towards the preparation of a climate statement in terms of the external reporting board standards. Recognising the inherent uncertainty of the timing and severity of potential climate related financial risks, NZ Banking Group has also allocated capital under its ICAAP for climate risk.

(8) Comparative Financial Statements

Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These immaterial reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement comparative affected is: Statement of Cash Flows and note 12 as at 30 June 2022 and 31 December 2022.

Note 2 – Fees and Other Income

Thousands of dollars	Unaudited 30 June 2023 6 months	Unaudited 30 June 2022 6 months	Audited 31 December 2022 12 months
Commission and other fee income	191	63	188
Payment services fee income	375	241	534
Net foreign exchange gains/(losses)	(887)	6,734	3,489
Other revenue	-	-	-
Total other income/(losses)	(321)	7,038	4,211

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.

Unaudited 30 June 2023

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Amount due from related parties	Total as at 30 June 2023
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	1,991	13,175	115	32	2,331	-	-	17,644
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	294	1,469	-	-	-	-	-	1,763
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	-	825	-	-	-	-	-	-	825
Balance as at 30 June 2023	-	3,110	14,644	115	32	2,331	-	-	20,232

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2022

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Amount due from related parties	Total as at 30 June 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,528	8,529	74	-	1,978	-	-	13,110
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	2	-	-	-	-	-	-	-	2
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	-	1,114	3,425	-	-	-	-	-	4,539
Balance as at 30 June 2022	3	3,642	11,954	74	-	1,978	-	-	17,651

Audited 31 December 2022

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Amount due from related parties	Total as at 31 December 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	2,677	10,336	80	-	1,652	-	-	14,745
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	420	-	-	-	-	-	-	420
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	17	904	-	-	-	-	-	-	921
Balance as at 31 December 2022	17	4,001	10,336	80	-	1,652	-	-	16,086

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2023					
Movement in provision for credit impairment	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Residential mortgage lending					
Balance at beginning of period	2,677	420	-	904	4,001
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(5)	5	-	-	-
Transfer to stage 3	-	(420)	-	420	-
Charge to statement of comprehensive income in current year	(681)	289	-	(499)	(891)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	1,991	294	-	825	3,110
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	-	-	-	17	17
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	-	-	-	(17)	(17)
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	-	-	-	-	-
Corporate and institutional					
Balance at beginning of period	10,336	-	-	-	10,336
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(505)	505	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	3,344	964	-	-	4,308
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	13,175	1,469	-	-	14,644
Investment securities					
Balance at beginning of period	80	-	-	-	80
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	35	-	-	-	35
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	115	-	-	-	115

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2023					
Movement in provision for credit impairment	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
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	32	-	-	-	32
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	32	-	-	-	32
Amounts due from related parties					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,652	-	-	-	1,652
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	679	-	-	-	679
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023*	2,331	-	-	-	2,331
Total					
Balance at beginning of period	14,745	420	-	921	16,086
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(510)	510	-	-	-
Transfer to stage 3	-	(420)	-	420	-
Charge/(recovery) to statement of comprehensive income in current year	3,409	1,253	-	(499)	4,163
Bad debts written off	-	-	-	(17)	(17)
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	17,644	1,763	-	825	20,232

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

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2023				Total
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Residential mortgage lending					
Balance at beginning of period	560,566	1,088	-	1,428	563,082
Net drawdown/(repayment)	46,960	-	-	(13)	46,947
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(942)	942	-	-	-
Transfer to stage 3	-	(1,088)	-	1,088	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	606,584	942	-	2,503	610,029
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	4	-	-	17	21
Net drawdown/(repayment)	(3)	-	-	-	(3)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	(17)	(17)
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	1	-	-	-	1
Corporate and institutional					
Balance at beginning of period	2,436,719	-	-	-	2,436,719
Net drawdown/(repayment)	(33,577)	(5,803)	-	-	(39,380)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(125,215)	125,215	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	2,277,927	119,412	-	-	2,397,339
Investment securities					
Balance at beginning of period	188,806	-	-	-	188,806
Net purchase/(disposal)	14,460	-	-	-	14,460
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	203,266	-	-	-	203,266

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2023				Total
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Due from banks and other financial institutions					
Balance at beginning of period	40,000	-	-	-	40,000
Net drawdown/(repayment)	185,000	-	-	-	185,000
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	225,000	-	-	-	225,000
Amounts due from related parties					
Balance at beginning of period	-	-	-	-	-
Net drawdown/(repayment)	569	-	-	-	569
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	569	-	-	-	569
Total					
Balance at beginning of period	3,226,095	1,088	-	1,445	3,228,628
Net addition/(deletion)	213,409	(5,803)	-	(13)	207,593
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(126,157)	126,157	-	-	-
Transfer to stage 3	-	(1,088)	-	1,088	-
Bad debts written off	-	-	-	(17)	(17)
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	3,313,347	120,354	-	2,503	3,436,204
Commitments and financial guarantee contracts					
Balance at beginning of period	1,242,813	-	-	-	1,242,813
Net increase/(decrease) facilities	64,681	-	-	-	64,681
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	1,307,494	-	-	-	1,307,494

Note 3 - Impairment Allowance (continued)

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

Note 3 - Impairment Allowance (continued)

Movement in provision for credit impairment	Unaudited 30 June 2022				Total
	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Due from banks and other financial institutions					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(1)	-	-	-	(1)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	-	-	-	-	-
Amounts due from related parties					
Balance at beginning of period	4	-	-	-	4
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(4)	-	-	-	(4)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,394	-	-	-	1,394
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	584	-	-	-	584
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022*	1,978	-	-	-	1,978
Total					
Balance at beginning of period	12,013	686	-	3,995	16,694
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(recovery) to statement of comprehensive income in current year	1,103	2	-	(152)	953
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	13,110	2	-	4,539	17,651

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

Note 3 - Impairment Allowance (continued)

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

Note 3 - Impairment Allowance (continued)

	Unaudited 30 June 2022			Individual	
Movement in corresponding gross carrying amounts by stages	Collective provision			provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	150,000	-	-	-	150,000
Net drawdown/(repayment)	(130,000)	-	-	-	(130,000)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	20,000	-	-	-	20,000
Amount due from related parties					
Balance at beginning of period	207,360	-	-	-	207,360
Net drawdown/(repayment)	(144,645)	-	-	-	(144,645)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	62,715	-	-	-	62,715
Total					
Balance at beginning of period	3,418,317	1,611	-	5,436	3,425,364
Net addition/(deletion)	(165,055)	-	-	(1,628)	(166,683)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(8)	8	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	3,252,051	8	-	6,626	3,258,685
Commitments and financial guarantee contracts					
Balance at beginning of period	864,897	-	-	-	864,897
Net increase/(decrease) facilities	270,972	-	-	-	270,972
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	1,135,869	-	-	-	1,135,869

Note 3 - Impairment Allowance (continued)

Audited 31 December 2022					
Movement in provision for credit impairment	Collective Provision			Individual Provision	Total
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Residential mortgage lending					
Balance at beginning of period	2,464	686	-	570	3,720
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(86)	86	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(Recovery) to statement of comprehensive income in current year	305	334	-	(358)	281
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	2,677	420	-	904	4,001
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year	(1)	-	-	12	11
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	5	5
Balance as at 31 December 2022	-	-	-	17	17
Corporate and institutional					
Balance at beginning of period	8,112	-	-	3,425	11,537
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year	2,224	-	-	(567)	1,657
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	10,336	-	-	-	10,336
Investment securities					
Balance at beginning of period	37	-	-	-	37
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year	43	-	-	-	43
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	80	-	-	-	80

Note 3 - Impairment Allowance (continued)

Audited 31 December 2022					
Movement in provision for credit impairment	Collective Provision			Individual Provision	Total
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Due from banks and other financial institutions					
Balance at beginning of period	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	(1)	-	-	-	(1)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	-	-	-	-	-
Amounts due from related parties					
Balance at beginning of period	4	-	-	-	4
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(4)	-	-	-	(4)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,394	-	-	-	1,394
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(Recovery) to statement of comprehensive income in current year	258	-	-	-	258
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022*	1,652	-	-	-	1,652
Total					
Balance at beginning of period	12,013	686	-	3,995	16,694
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(86)	86	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(recovery) to statement of comprehensive income in current year	2,824	334	-	(913)	2,245
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	5	5
Balance as at 31 December 2022	14,745	420	-	921	16,086

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

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2022				Total
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Residential mortgage lending					
Balance at beginning of period	516,047	1,611	-	225	517,883
Net drawdown/(repayment)	46,810	-	-	(1,611)	45,199
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(1,088)	1,088	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	560,566	1,088	-	1,428	563,082
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	17	-	-	-	17
Net drawdown/(repayment)	(13)	-	-	12	(1)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	5	5
Balance as at 31 December 2022	4	-	-	17	21
Corporate and institutional					
Balance at beginning of period	2,060,804	-	-	5,211	2,066,015
Net drawdown/(repayment)	375,915	-	-	(2,353)	373,562
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	2,436,719	-	-	-	2,436,719
Investment securities					
Balance at beginning of period	194,318	-	-	-	194,318
Net purchase/(disposal)	(5,512)	-	-	-	(5,512)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	188,806	-	-	-	188,806

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2022				Total
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	
Due from banks and other financial institutions					
Balance at beginning of period	150,000	-	-	-	150,000
Net drawdown/(repayment)	(110,000)	-	-	-	(110,000)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	40,000	-	-	-	40,000
Amount due from related parties					
Balance at beginning of period	207,360	-	-	-	207,360
Net drawdown/(repayment)	(207,360)	-	-	-	(207,360)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	-	-	-	-	-
Total					
Balance at beginning of period	3,128,546	1,611	-	5,436	3,135,593
Net addition/(deletion)	99,840	-	-	(3,952)	95,888
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(1,088)	1,088	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	5	5
Balance as at 31 December 2022	3,226,095	1,088	-	1,445	3,228,628
Commitments and financial guarantee contracts					
Balance at beginning of period	864,897	-	-	-	864,897
Net increase/(decrease) facilities	337,916	-	-	-	337,916
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	1,242,813	-	-	-	1,242,813

Note 4 – Taxation

Consistent with NZ IAS 12, the NZ Banking Group has recognised deferred tax assets of \$7,583K as at 30 June 2023 (30 June 2022: \$7,657K, 31 December 2022: \$6,888K). 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 2023 6 months	Unaudited 30 June 2022 6 months	Audited 31 December 2022 12 months
Net profit before taxation	22,600	15,185	35,043
Tax calculated at a tax rate of 28%	6,328	4,252	9,812
(Under)/over provision from prior period	-	-	10
Temporary differences not recognised	25	31	-
Utilisation of tax losses previously unrecognised	-	-	-
Other permanent differences	-	-	50
Taxation charge/(benefit) as per the statement of comprehensive income	6,353	4,283	9,872
Represented by:			
Current tax	7,049	5,588	10,369
Deferred tax	(696)	(1,305)	(497)
Taxation charge/(benefit) as per the statement of comprehensive income	6,353	4,283	9,872

Note 5 – Loans and Advances to Customers

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Residential mortgage loans	610,029	534,735	563,082
Corporate exposures	2,397,339	2,221,133	2,436,719
Credit Cards	1	27	21
Other exposures	-	-	-
Allowance for impairment losses	(17,754)	(15,599)	(14,354)
Total net loans and receivables	2,989,615	2,740,296	2,985,468
Current	427,245	352,117	120,662
Non-Current	2,562,370	2,388,179	2,864,806

Note 6 – Deposits from Customers

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Demand deposits not bearing interest	54,431	62,445	58,354
Demand deposits bearing interest	9,789	15,486	4,426
Term deposits	573,652	514,612	502,941
Total deposits	637,872	592,543	565,721
Current	628,515	587,612	559,749
Non-Current	9,357	4,931	5,972

Note 7 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Certificates of deposit (CDs)	107,522	231,391	265,459
Other debt securities	549,706	482,811	475,180
Total debt securities issued	657,228	714,202	740,639
Current	407,491	239,423	265,891
Non-Current	249,737	474,779	474,748

Note 8 – Subordinated Loans due to Related Parties

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Subordinated loans due to related parties	-	70,000	35,000
Total debt securities issued	-	70,000	35,000
Current	-	70,000	35,000
Non-Current	-	-	-

The subordinated loan due to related parties of NZ\$70m as at 30 June 2022 matured and paid off before 30 June 2023.

Note 9 – Asset Quality

The NZ Banking Group has disclosed certain component's of its loan portfolio as impaired assets according to the classification below:

- Individually assessed provision is the allowance assessed individually against impaired credit exposures.
- Collective assessed provision is to both assess the staging of exposures and measure a loss allowance on a collective basis, the Bank groups its exposures on the basis of shared credit risk characteristics.

The NZ Banking Group assesses the impairment of financial assets classified into stage 1 and stage 2 collectively, and assesses the impairment of stage 3 financial assets individually.

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

Unaudited 30 June 2023	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	1	606,584	2,397,339	3,003,924
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	942	-	942
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	942	-	942
Individually impaired assets				
Balance at beginning of the period	17	1,428	-	1,445
Additions	-	1,075	-	1,075
Amount Recovered	-	-	-	-
Amounts written off	(17)	-	-	(17)
Deletions	-	-	-	-
Total individually impaired assets	-	2,503	-	2,503
Total gross loans and advances	1	610,029	2,397,339	3,007,369
Individually assessed provisions				
Balance at beginning of the period	17	904	-	921
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	(79)	-	(79)
Reversals of previously recognised impairment losses	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off	(17)	-	-	(17)
Balance at end of the period	-	825	-	825
Collectively assessed provisions				
Balance at beginning of the period	-	3,097	10,336	13,433
Charge/(credit) to the statement of comprehensive income	-	(812)	4,308	3,496
Other movements	-	-	-	-
Balance at end of the period	-	2,285	14,644	16,929
Total provisions for impairment losses	-	3,110	14,644	17,754
Total net loans and advances	1	606,919	2,382,695	2,989,615

Note 9 – Asset Quality (continued)

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

Note 9 – Asset Quality (continued)

Audited 31 December 2022	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	4	560,566	2,436,719	2,997,289
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	1,088	-	1,088
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	1,088	-	1,088
Individually impaired assets				
Balance at beginning of the year	-	225	5,211	5,436
Additions	17	1,203	-	1,220
Amount Recovered	5	-	-	5
Amounts written off	-	-	(2,858)	(2,858)
Deletions	(5)	-	(2,353)	(2,358)
Total individually impaired assets	17	1,428	-	1,445
Total gross loans and advances	21	563,082	2,436,719	2,999,822
Individually assessed provisions				
Balance at beginning of the year	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	17	334	(567)	(216)
Reversals of previously recognised impairment losses	(5)	-	-	(5)
Amounts recovered	5	-	-	5
Amounts written off	-	-	(2,858)	(2,858)
Balance at end of the period	17	904	-	921
Collectively assessed provisions				
Balance at beginning of the year	1	3,150	8,112	11,263
Charge/(credit) to the statement of comprehensive income	(1)	(53)	2,224	2,170
Other movements	-	-	-	-
Balance at end of the year	-	3,097	10,336	13,433
Total provisions for impairment losses	17	4,001	10,336	14,354
Total net loans and advances	4	559,081	2,426,383	2,985,468

The NZ Banking Group does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil). Therefore, the NZ Banking Group does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were \$1,307M as at 30 June 2023 (30 June 2022: \$1,131M, 31 December 2022: \$1,243M).

There has been \$9K interest revenue foregone on individually impaired or greater than 90 days past due assets during the period ended 30 June 2023 (30 June 2022: \$6K, 31 December 2022: \$15K).

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

Note 10 – Balances with Related Entity

A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Amounts due from ultimate parent	569	62,715	-
Amount due from controlled entities of ultimate parent	-	-	-
Total amount due from related entities	569	62,715	-
Current	569	62,715	-
Non-Current	-	-	-
Amounts due to ultimate parent	2,022,141	1,468,141	1,824,966
Amount due to controlled entities of ultimate parent	1,013	234	935
Total amount due to related entities	2,023,154	1,468,375	1,825,901
Current	889,136	453,375	725,901
Non-Current	1,134,018	1,015,000	1,100,000

Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2023 was \$11M (30 June 2022: \$8M, 31 December 2022: \$7M). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

ICBC Group, from time to time, transfers payments through the ICBC NZ vostro account. The balance of ICBC NZ Vostro account was \$39M as at 30 June 2023 (30 June 2022: \$50M, 31 December 2022: \$61M).

B. Related party transactions

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Interest income on amount due from related entities			
Ultimate parent	89	498	740
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	89	498	740
Interest expense on amount due to related entities			
Ultimate parent	51,184	12,252	42,550
Subsidiaries of ultimate parent	11	2	13
Total interest expense on amount due to related entities	51,195	12,254	42,563
Other operating income			
Gain/(loss) on derivative contracts with ultimate parent	-	-	-
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	335	(132)	(8)
Other income	-	-	-
Total other operating income	335	(132)	(8)
Other operating expense			
Other operating expense paid to ultimate parent	63	91	121

Interest payable to parent as at 30 June 2023 was \$25,522K (30 June 2022: \$6,663K, 31 December 2022: \$16,234K), and interest payable to subsidiaries of the ultimate parent was \$3K (30 June 2022: \$2K, 31 December 2022: nil). This is included in other liabilities.

Interest receivable from parent as at 30 June 2023 was nil (30 June 2022: nil, 31 December 2022: nil). This is included in interest receivable balance and interest income.

Parent includes ICBC Head Office and other branches.

Note 10 – Balances with Related Entity (continued)

Overseas Bank includes ICBC Head Office and other branches.

There are no loans guaranteed by related parties as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

C. Key Management Personnel Compensation*

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Salaries and other short-term benefits	1,297	851	2,334
Other benefits	-	-	-
Total key management compensation	1,297	851	2,334

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

D. Guarantees

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

All the obligations of ICBC NZ 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.

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

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's 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 (Strong capacity to meet the financial commitments on the obligations)	F1+ (Strongest capacity for timely payment of financial commitments)
Outlook	Stable	Stable	Stable

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

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

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

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

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

Note 11 – Concentration of Credit Risk

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

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Government	363,842	243,603	402,360
Finance (including banks)	454,125	300,316	246,967
Households	611,498	535,767	564,195
Transport and storage	32,006	70,008	41,012
Communications	72,025	27,328	71,366
Accommodation and food service	72,131	49,589	72,617
Construction	125,280	152,058	153,664
Property services	1,219,155	1,012,574	1,150,539
Agriculture	5,001	4,951	4,952
Forestry, fishing and mining	70,696	64,805	80,872
Health and community services	299,687	205,603	267,881
Retail and wholesale trade	70,034	60,305	60,557
Manufacturing	64,444	264,644	82,762
Education	68,026	60,036	78,167
Electricity, gas and water	249,945	175,182	335,238
Other Industries	25,220	44,671	11,432
Less: allowance for impairment provisioning	(17,902)	(15,672)	(14,434)
Total financial assets	3,785,213	3,255,768	3,610,147
Less: non-interest earning financial assets	(26,370)	(4,856)	(13,317)
Total interest earning and discount bearing financial assets	3,758,843	3,250,912	3,596,830

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

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
New Zealand	3,565,755	2,992,242	3,410,940
Overseas	219,458	263,526	199,207
Total financial assets	3,785,213	3,255,768	3,610,147

Note 11 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Loans and advances to customers	2,989,615	2,740,296	2,985,468
Derivative financial instruments	740	-	527
Other financial assets	14,137	8,185	13,153
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	3,004,492	2,748,481	2,999,148
Cash and cash equivalents	344,307	216,021	376,876
Amounts due from related parties	569	62,715	-
Due from other financial institutions	224,968	20,000	40,000
Investment securities	203,151	203,980	188,726
Derivative financial instruments	4,458	3,176	4,090
Other financial assets	3,268	1,395	1,307
Total on Balance Sheet Credit Exposures	3,785,213	3,255,768	3,610,147
Off Balance Sheet Exposures	1,307,494	1,135,869	1,242,813
Total Off Balance Sheet Credit Exposures	1,307,494	1,135,869	1,242,813

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

As at 30 June 2023, 48.35% of the NZ Banking Group's mortgage portfolio is owner-occupied residential properties (30 June 2022: 48.88%, 31 December 2022: 49.50%).

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 2022: nil, 31 December 2022: nil).

Note 12 – Concentration of Funding

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

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
<u>New Zealand</u>			
Transport and storage	18,926	42,749	38,929
Financing investment and insurance	664,975	707,783	729,928
Electricity, gas and water	547	312	293
Food and other manufacturing	825	1,666	3,361
Construction	15,167	11,020	17,944
Communication	220	580	519
Government, local authorities and services	51,349	53,598	51,063
Agriculture	6	12	36
Forestry	7,503	1,423	276
Health and community services	78	62	75
Property and business services	40,759	32,820	23,647
Accommodation and food services	19	1,248	106
Education	28,521	42,601	32,859
Retail and wholesale trade	9,479	2,395	3,448
Art and recreational service	20,389	20,000	20,000
Other	10,354	10,125	10,238
Households	113,933	73,845	93,661
<u>Overseas</u>			
Amounts due to related parties	2,048,130	1,545,962	1,877,768
Financing investment and insurance (not including ICBC group)	271,658	255,057	245,683
Households	80,886	83,331	73,039
Other deposits	1,623	936	2,556
Total financial liabilities	3,385,347	2,887,525	3,225,429
Less: non-interest bearing financial liabilities	(114,997)	(97,123)	(109,487)
Total interest and discount bearing liabilities	3,270,350	2,790,402	3,115,942

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

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Deposits from customers	637,872	592,543	565,721
Registered Banks	1	1	1
Derivative financial liabilities	8,319	10,269	11,112
Certificates of deposit	107,522	231,391	265,459
Subordinated loans due to related parties	-	70,000	35,000
Debts securities issued	549,706	482,811	475,180
Related Parties	2,023,154	1,468,375	1,825,901
Lease liabilities	6,526	7,726	7,033
Other	52,247	24,409	40,022
Total financial liabilities	3,385,347	2,887,525	3,225,429

Note 13 – Contingent Liabilities and Commitments

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Performance/financial guarantees issued on behalf of customers	-	4,608	-
Total contingent liabilities	-	4,608	-
Undrawn Commitments	1,307,494	1,131,261	1,242,813

Note 14 – Subsequent Events after Balance Sheet Date

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

Note 15 – Fair Value of Financial Instruments

Fair value Assumptions

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

Fair Value Managements

Under NZ IFRS 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).

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

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

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

Note 15 – Fair Value of Financial Instruments (continued)

Financial assets and liabilities measured at fair value

Unaudited 30 June 2023		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	344,307	-	344,307	-	344,307
Amounts due from related parties	569	-	569	-	569
Due from banks and other financial institutions	224,968	-	224,968	-	224,968
Investment securities	203,151	195,345	-	-	195,345
Derivative financial assets	5,198	-	5,198	-	5,198
Loans and advances to customers	2,989,615	-	2,987,820	-	2,987,820
Other financial assets	17,405	-	17,405	-	17,405
Total financial assets	3,785,213	195,345	3,580,267	-	3,775,612
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	2,023,154	-	2,017,055	-	2,017,055
Derivative financial liability	8,319	-	8,319	-	8,319
Deposits from customers	637,872	-	637,977	-	637,977
Certificates of deposit	107,522	-	107,572	-	107,572
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	549,706	-	546,576	-	546,576
Lease liabilities	6,526	-	6,526	-	6,526
Other financial liabilities	52,247	-	52,247	-	52,247
Total financial liabilities	3,385,347	-	3,376,273	-	3,376,273

Unaudited 30 June 2022		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	216,021	-	216,021	-	216,021
Amounts due from related parties	62,715	-	62,715	-	62,715
Due from banks and other financial institutions	20,000	-	20,000	-	20,000
Investment securities	203,980	195,839	-	-	195,839
Derivative financial assets	3,176	-	3,176	-	3,176
Loans and advances to customers	2,740,296	-	2,736,986	-	2,736,986
Other financial assets	9,580	-	9,580	-	9,580
Total financial assets	3,255,768	195,839	3,048,478	-	3,244,317
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	1,468,375	-	1,465,703	-	1,465,703
Derivative financial liability	10,269	-	10,269	-	10,269
Deposits from customers	592,543	-	592,438	-	592,438
Certificates of deposit	231,391	-	231,284	-	231,284
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	482,811	-	480,667	-	480,667
Lease liabilities	7,726	-	7,726	-	7,726
Other financial liabilities	24,409	-	24,409	-	24,409
Total financial liabilities	2,887,525	-	2,882,497	-	2,882,497

Note 15 – Fair Value of Financial Instruments (continued)

Audited 31 December 2022		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	376,876	-	376,876	-	376,876
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	40,000	-	40,000	-	40,000
Investment securities	188,726	178,524	-	-	178,524
Derivative financial assets	4,617	-	4,617	-	4,617
Loans and advances to customers	2,985,468	-	2,980,366	-	2,980,366
Other financial assets	14,460	-	14,460	-	14,460
Total financial assets	3,610,147	178,524	3,416,319	-	3,594,843
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	1,825,901	-	2,024,422	-	2,024,422
Derivative financial liability	11,112	-	11,112	-	11,112
Deposits from customers	565,721	-	565,509	-	565,509
Certificates of deposit	265,459	-	265,459	-	265,459
Subordinated loans due to related parties	35,000	-	35,000	-	35,000
Debt securities issued	475,180	-	471,627	-	471,627
Lease liabilities	7,033	-	7,033	-	7,033
Other financial liabilities	40,022	-	40,022	-	40,022
Total financial liabilities	3,225,429	-	3,420,185	-	3,420,185

Note 16 – Liquidity Risk

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

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

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

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

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

Note 16 – Liquidity Risk (continued)

Unaudited 30 June 2023	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	39,318	417,943	524,119	1,191,612	-	2,172,992
Deposits from customers	65,486	261,942	324,420	10,681	-	662,529
Certificates of deposit	-	80,500	30,000	-	-	110,500
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	-	7,601	321,736	272,081	-	601,418
Long-term lease liabilities	-	393	1,187	5,028	789	7,397
Other financial liabilities	-	692	3,303	-	-	3,995
Total financial liabilities	104,805	769,071	1,204,765	1,479,402	789	3,558,832
Derivative cash flows						
Inflows from derivatives	-	103,465	63,095	23,533	4,811	194,904
Outflows from derivatives	-	(104,088)	(65,462)	(23,426)	(4,788)	(197,764)
Total	-	(623)	(2,367)	107	23	(2,860)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	1,307,494	-	-	-	-	1,307,494
Total	1,307,494	-	-	-	-	1,307,494

Unaudited 30 June 2022	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	50,144	153,428	282,497	1,063,608	-	1,549,677
Deposits from customers	80,533	274,121	240,953	5,251	-	600,858
Certificates of deposit	-	135,000	100,000	-	-	235,000
Subordinated loans due to related parties	-	398	71,020	-	-	71,418
Debt securities issued	-	10,848	12,316	494,551	-	517,715
Long-term lease liabilities	-	381	1,163	5,214	1,316	8,074
Other financial liabilities	-	112	7,016	-	-	7,128
Total financial liabilities	130,678	574,288	714,965	1,568,624	1,316	2,989,871
Derivative cash flows						
Inflows from derivatives	-	111,281	20,895	7,108	-	139,284
Outflows from derivatives	-	(113,712)	(21,640)	(8,649)	-	(144,001)
Total	-	(2,431)	(745)	(1,541)	-	(4,717)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	1,131,261	-	-	-	-	1,131,261
Total	1,131,261	-	-	-	-	1,131,261

Note 16 – Liquidity Risk (continued)

Audited 31 December 2022	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	61,089	393,501	334,043	1,163,340	-	1,951,973
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	63,947	224,370	286,301	6,566	-	581,184
Certificates of deposit	-	270,000	-	-	-	270,000
Subordinated loans due to related parties	-	35,787	-	-	-	35,787
Debt securities issued	-	5,363	17,520	493,298	-	516,181
Lease liabilities	-	394	1,187	5,028	789	7,398
Other financial liabilities	-	787	4,142	-	-	4,929
Total financial liabilities	125,037	930,202	643,193	1,668,232	789	3,367,453
Derivative cash flows						
Inflows from derivatives	-	119,161	8,774	21,834	5,405	155,174
Outflows from derivatives	-	(121,132)	(10,520)	(23,341)	(5,375)	(160,368)
Total	-	(1,971)	(1,746)	(1,507)	30	(5,194)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	1,242,813	-	-	-	-	1,242,813
Total	1,242,813	-	-	-	-	1,242,813

Liquidity portfolio management			
Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Cash, cash equivalents and balances with central banks	344,307	216,021	376,876
Due from banks and other financial institutions	224,968	20,000	40,000
Financial securities	203,151	203,980	188,726
Total liquidity portfolio	772,426	440,001	605,602

Note 17 – Interest Rate Risk

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

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

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

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

Unaudited 30 June 2023	Not interest- bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	21,827	322,480	-	-	-	-	344,307
Amounts due from related parties	-	569	-	-	-	-	569
Due from banks and other financial institutions	(32)*	175,000	50,000	-	-	-	224,968
Investment securities	(115)*	35,000	10,004	26,004	81,557	50,701	203,151
Derivative financial assets	5,198	-	-	-	-	-	5,198
Loans and advances to customers	(17,754)*	2,505,348	116,522	212,751	161,084	11,664	2,989,615
Other financial assets	17,246	-	-	-	-	159	17,405
Total financial Assets	26,370	3,038,397	176,526	238,755	242,641	62,524	3,785,213
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	1,142,142	715,000	100,000	-	66,012	2,023,154
Derivative financial liability	8,319	-	-	-	-	-	8,319
Deposits from customers	54,431	266,507	116,537	191,040	5,884	3,473	637,872
Certificates of deposit	-	79,279	-	28,243	-	-	107,522
Subordinated loans due to related parties	-	-	-	-	-	-	-
Debt securities issued	-	449,738	-	99,968	-	-	549,706
Lease liabilities	-	-	-	-	-	6,526	6,526
Other financial liabilities	52,247	-	-	-	-	-	52,247
Total financial liabilities	114,997	1,937,667	831,537	419,251	5,884	76,011	3,385,347
On-balance sheet gap	(88,627)	1,100,730	(655,011)	(180,496)	236,757	(13,487)	399,866
Net derivative notional principals	-	(100,000)	-	100,000	-	-	-
Net effective interest rate gap	(88,627)	1,000,730	(655,011)	(80,496)	236,757	(13,487)	399,866

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

Note 17 – Interest Rate Risk (continued)

Unaudited 30 June 2022	Not interest- bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	7,932	208,089	-	-	-	-	216,021
Amounts due from related parties	-	49,071	13,644	-	-	-	62,715
Due from banks and other financial institutions	-	20,000	-	-	-	-	20,000
Investment securities	(74)*	9,000	6,043	15,374	46,025	127,612	203,980
Derivative financial assets	3,176	-	-	-	-	-	3,176
Loans and advances to customers	(15,599)*	2,294,122	75,274	236,747	121,509	28,243	2,740,296
Other financial assets	9,421	-	-	-	-	159	9,580
Total financial Assets	4,856	2,580,282	94,961	252,121	167,534	156,014	3,255,768
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	753,375	510,000	105,000	100,000	-	1,468,375
Derivative financial liability	10,269	-	-	-	-	-	10,269
Deposits from customers	62,445	290,392	113,503	121,272	4,565	366	592,543
Certificates of deposit	-	134,051	48,942	48,398	-	-	231,391
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	382,441	-	432	99,938	-	482,811
Lease liabilities	-	-	-	-	36	7,690	7,726
Other financial liabilities	24,409	-	-	-	-	-	24,409
Total financial liabilities	97,123	1,595,260	707,445	275,102	204,539	8,056	2,887,525
On-balance sheet gap	(92,267)	985,022	(612,484)	(22,981)	(37,005)	147,958	368,243
Net derivative notional principals	-	(100,000)	-	-	100,000	-	-
Net effective interest rate gap	(92,267)	885,022	(612,484)	(22,981)	62,995	147,958	368,243

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

Note 17 – Interest Rate Risk (continued)

Audited 31 December 2022	Not interest- bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	8,833	368,043	-	-	-	-	376,876
Amounts due from related parties	-	-	-	-	-	-	-
Due from banks and other financial institutions	-	40,000	-	-	-	-	40,000
Investment securities	(80)*	-	15,354	20,011	51,906	101,535	188,726
Derivative financial assets	4,617	-	-	-	-	-	4,617
Loans and advances to customers	(14,354)*	2,521,162	149,319	183,358	132,524	13,459	2,985,468
Other financial assets	14,301	-	-	-	-	159	14,460
Total financial Assets	13,317	2,929,205	164,673	203,369	184,430	115,153	3,610,147
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	1,080,901	575,000	70,000	100,000	-	1,825,901
Derivative financial liability	11,112	-	-	-	-	-	11,112
Deposits from customers	58,353	226,319	133,720	141,357	4,493	1,479	565,721
Certificates of deposit	-	265,459	-	-	-	-	265,459
Subordinated loans due to related parties	-	35,000	-	-	-	-	35,000
Debt securities issued	-	375,234	-	-	99,946	-	475,180
Lease liabilities	-	-	-	-	26	7,007	7,033
Other financial liabilities	40,022	-	-	-	-	-	40,022
Total financial liabilities	109,487	1,982,914	708,720	211,357	204,465	8,486	3,225,429
On-balance sheet gap	(96,170)	946,291	(544,047)	(7,988)	(20,035)	106,667	384,718
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(96,170)	846,291	(544,047)	(7,988)	(20,035)	206,667	384,718

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

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

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

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

Note 19 – Risk Management Policies

There have been no material changes to the risk management policies, and no new categories of risk to which the NZ Banking Group has become exposed since 31 December 2022.

Note 20 – Capital Adequacy

(a) ICBC NZ capital adequacy requirements

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

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

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

For the six months ended 30 June 2023, ICBC NZ has complied in full with its regulatory and internal capital adequacy requirements.

(b) Overseas Banking Group capital adequacy requirements

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

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

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

The Overseas Bank and the Overseas Banking Group each met the capital requirements imposed on them by the NAFR as at 30 June 2023, the latest reporting date.

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

	30 June 2023	30 June 2022	31 December 2022
Overseas Banking Group			
Common Equity Tier 1 Capital Ratio	13.20%	13.29%	14.04%
Tier 1 Capital Ratio	14.67%	14.90%	15.64%
Total Capital Ratio	18.45%	18.31%	19.26%
Overseas Bank			
Common Equity Tier 1 Capital Ratio	13.01%	13.30%	14.03%
Tier 1 Capital Ratio	14.49%	14.94%	15.66%
Total Qualifying Capital Ratio	18.58%	18.65%	19.60%

Note 20 – Capital Adequacy (continued)

(c) Additional mortgage information

Residential mortgages by loan-to-valuation ratio

30 June 2023

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	606,919	-	-	606,919

30 June 2022

Thousands of dollars

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

31 December 2022

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	559,081	-	-	559,081

Reconciliation of residential mortgage-related amounts

Thousands of dollars	30 June 2023	30 June 2022	31 December 2022
Residential mortgage loans (as disclosed in Note 5)			
On balance sheet exposures			
Residential - owner occupied	294,958	261,356	278,706
Residential - investment	315,071	273,379	284,376
Residential - corporate lending	-	-	-
Provisions for impairment losses on loans and advances	(3,110)	(3,642)	(4,001)
Residential mortgages by loan-to-valuation ratio	606,919	531,093	559,081
Off balance sheet exposures	-	-	-
Total	606,919	531,093	559,081

(d) Market Risk

Market risk exposures have been calculated in accordance with the methodology detailed in BPR140 of the RBNZ's Banking Prudential Requirements, and schedule 9 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the 6 months period ended 30 June of 2023 of the aggregate capital charge at the close of each business day derived in accordance with BPR140 of the Reserve Bank's Banking Prudential Requirements.

30 June 2023

Thousands of dollars	End-period capital charges		Peak end-of-day capital charges	
	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Interest rate risk	76,763	6,141	103,550	8,284
Foreign currency risk	14,713	1,177	15,600	1,248
Equity risk	-	-	-	-
Total capital requirements	91,476	7,318	119,150	9,532

Note 20 – Capital Adequacy (continued)

30 June 2022	End-period capital charges		Peak end-of-day capital charges	
	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Thousands of dollars				
Interest rate risk	57,850	4,628	98,388	7,871
Foreign currency risk	11,488	919	12,763	1,021
Equity risk	-	-	-	-
Total capital requirements	69,338	5,547	111,151	8,892

31 December 2022	End-period capital charges		Peak end-to-day capital charges	
	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Thousands of dollars				
Interest rate risk	67,838	5,427	92,225	7,378
Foreign currency risk	12,513	1,001	15,200	1,216
Equity risk	-	-	-	-
Total capital requirements	80,351	6,428	107,425	8,594

Note 21 – Other information on the Overseas Banking Group

As at 30 June 2023

Profitability

Net profit after tax for the 3 month period (RMB millions)	362,939
Net profit after tax for the previous 12 month period as a percentage of average total assets	0.89%

Size

Total assets (RMB millions)	43,669,606
Percentage change in total assets over the previous 12 month period	12.71%

As at 31 December 2022

Asset quality

Total gross individually impaired assets (RMB millions)	325,736
Total individually impaired assets as a percentage of total assets	0.82%
Total individually assessed provisions (RMB millions)	258,561
Total individually assessed provisions as a percentage of total gross individually impaired assets	79.38%
Total collective provision (RMB millions)	459,916



Independent Auditor's Review Report

To the Directors of Industrial and Commercial Bank of China New Zealand Banking Group

Conclusion

We have reviewed the consolidated interim financial statements and the supplementary information (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy) (the 'supplementary information') of Industrial and Commercial Bank of China New Zealand Banking Group (the 'Banking Group') for the six months ended 30 June 2023.

The consolidated interim financial statements, as required by clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order'), comprise the consolidated statement of financial position of the Banking Group as at 30 June 2023, 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.

The supplementary information comprise the information required to be disclosed under Schedules 5, 7, 12 and 14 of the Order.

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

- the consolidated interim financial statements on pages 10 to 51 (excluding supplementary information) of the Banking Group do not present fairly, in all material respects, the financial position of the Banking Group as at 30 June 2023 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 (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy) disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order does not present fairly, in all material respects, the matters to which it relates in accordance with those Schedules.

Basis for Conclusion

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

We are independent of the Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In addition to our role as auditor, our firm carries out other assurance services for the Banking Group over the compliance with regulation, capital adequacy and regulatory liquidity requirements. The provision of the other services has not impaired our independence as auditor of the Banking Group. In addition to this, partners and employees of our firm deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group.

Directors' responsibilities for the interim financial statements and supplementary information

The directors are responsible on behalf of the Banking Group for the preparation and fair presentation of the consolidated interim financial statements in accordance with clause 26 of the Order, NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the review of the interim financial statements and supplementary information

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

- the consolidated interim financial statements (excluding the supplementary information), taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting



- the supplementary information (excluding the supplementary information relating to Credit and Market risk Exposures and Capital Adequacy) does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order.

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

Restriction on use

This report is made solely to the Banking Group's Directors, as a body. Our review has been undertaken so that we might state to the Banking Group's Directors 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 Banking Group's Directors as a body, for our engagement, for this report, or for the conclusions we have formed.

Deloitte Limited

Bindi Shah

Partner

for Deloitte Limited

Auckland, New Zealand

31 August 2023

This review report relates to the unaudited interim financial statements and supplementary information of Industrial and Commercial Bank of China New Zealand Banking Group (the 'Banking Group') for the 6 months ended date 30 June 2023 included on Banking Group's Website. The Directors are responsible for the maintenance and integrity of the Banking Group's website. We have not been engaged to report on the integrity of Banking Group's website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements and supplementary information since they were initially presented on the website. The review report refers only to the unaudited interim financial statements and supplementary information named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements and supplementary information. If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the unaudited interim financial statements and supplementary information and the related review report dated 31 August 2023 to confirm the information included in the unaudited interim financial statements and supplementary information presented on this website. Legislation in New Zealand governing the preparation and dissemination of interim financial statements and supplementary information may differ from legislation in other jurisdictions.

Independent Assurance Report

To the Directors of Industrial and Commercial Bank of China New Zealand Banking Group

Limited assurance report on the information required on credit and market risk exposures and capital adequacy

Conclusion

We have undertaken a limited assurance engagement on Industrial and Commercial Bank of China New Zealand Banking Group's ('the Banking Group') compliance, in all material respects, with clause 23 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) ('the Order') which requires information prescribed in Schedule 9 of the Order relating to credit and market risk exposures and capital adequacy to be disclosed in its Disclosure Statement for the six months ended 30 June 2023 ('the compliance requirements').

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes use to believe that the Banking Group's information relating to credit and market risk exposures and capital adequacy disclosed in note 20 of the Disclosure Statement in compliance with clause 23 of the Order, does not comply, in all material respects, with Schedule 9 of the Order for the six months ended 30 June 2023.

Basis for conclusion

We have conducted our engagement in accordance with Standard on Assurance Engagement 3100 (Revised) Compliance Engagements (SAE 3100 (Revised)) issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our conclusion.

Directors' Responsibilities

The Directors of the Banking Group ('the Directors') are responsible on behalf of the Banking Group for compliance with the Order, including Clause 23 of the Order which requires information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the Banking Group's Disclosure Statement. This responsibility includes the identification of risks that may threaten compliance requirements identified above being met and the design, implementation and maintenance of internal controls relevant to mitigating those risks and monitoring ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) ('PES-1') issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In addition to our role as independent auditor of the Banking Group, our firm carried out a review of the Banking Group's interim financial statements and supplementary information (excluding supplementary information relating to credit and market risk exposures and capital adequacy). These services have not impaired our independence as independent auditors of the Banking Group. In addition to this, partners and employees of our firm deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group or any of its subsidiaries.

The firm applies Professional and Ethical Standard 3: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements issued by the New Zealand Auditing and Assurance Standards Board, and accordingly is required to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Banking Group's information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with the Clause 23 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Banking Group's information relating to the credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 23 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the Banking Group, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 23 of the Order in respect of the information relating to credit and market risk exposures and capital adequacy is likely to arise.

Our procedures included:

- Obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to credit and market risk exposures and capital adequacy;
- Obtained an understanding of the Banking Group's compliance framework and internal control environment to ensure the information relating to credit and market risk exposures and capital adequacy is in compliance with the Reserve Bank of New Zealand's ('the RBNZ') prudential requirements for banks;
- Performed analytical and other procedures on the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the interim consolidated financial statements; and
- Agreed the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with schedule 9 of the Order to information extracted from the Banking Group's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clauses 5 and 6 of Schedule 9 of the Order.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any systems of internal control, it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

A limited assurance engagement of the Banking Group's information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 23 of the Order does not provide assurance on whether compliance will continue in the future.

Use of Report

Our assurance report is made solely for the directors for the purpose of establishing that these compliance requirements have been met. Our work has been undertaken so that we might state to the directors those matters we have been engaged to state in this assurance 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 directors of the Banking Group for our work, for this assurance report, or for the conclusions we have reached.

Deloitte Limited

Bindi Shah
Partner
for Deloitte Limited
Auckland, New Zealand
31 August 2023