INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

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 (New Zealand) Limited for the six months ended 30 June 2023 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

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

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

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

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

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

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

The financial statements of ICBC (NZ) for the six-month period ended 30 June 2023 form part of and should be read in conjunction with this Disclosure Statement.

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

Contents

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

Address for Service

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

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

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

Nature of Business

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

Details of Ultimate Parent Bank and Ultimate Holding Company

(a) Ultimate Parent Bank

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

The registered address of ICBC is:

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

(b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

(c) Annual Report of ICBC

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

(d) Summary on restrictions of supporting the Bank

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

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

The Bank is a wholly-owned subsidiary of ICBC.

Subordination of Claims of Creditors

Priority of claims in the event of liquidation

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

Guarantee

Guarantee arrangements

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

A copy of the guarantee of the Bank's indebtedness given by ICBC is provided in the Bank's Disclosure Statement for the period ended 31 December 2022. A copy of the Disclosure Statement can be obtained from the Bank's website www.icbcnz.com.

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

Details of the guarantor (Parent)

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

The address for service of ICBC is:

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

(b) Credit Rating

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

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

(c) Rating movement history

On 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.

Details of the guaranteed obligations (Parent)

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

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

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

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

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

Directors

The responsible persons authorised to sign the Disclosure Statement on behalf of the Board, in accordance with section 82 of the Banking (Prudential Supervision) Act 1989, are Bin Liu (Alternate Executive Director, appointed by Qian Hou) and Donald Thomas Brash (Chairman, Independent Director).

As at 30 June 2023, the Board comprises:

- Donald Thomas Brash, Chairman, Independent Director
- Martin Philipsen, Independent Director
- John Glenn Dalzell, Independent Director
- Qian Hou, Executive Director
- Changwen Nie , Non-Executive Director
- Jianyu Chen, Non-Executive Director

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

- On 24 July 2023, the RBNZ issued a non-objection confirmation for the appointment of Bin Liu as an Alternate Executive Director of Qian Hou. The Bank's Board approved Bin Liu's appointment on 31 July 2023.

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 (New Zealand) Limited

These Conditions of Registration (COR) apply on and after 1 June 2023. The registration of Industrial and Commercial Bank of China (New Zealand) Limited ("the bank") as a registered bank is subject to the following conditions:

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

For the purposes of this condition of registration, —

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

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

1A. That—

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

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

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

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

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

Banking group's PCB ratio	Percentage limit to distributions of the bank's earnings	Capital Buffer Response Framework stage
0% – 0.5%	0%	Stage 3
>0.5 – 1%	30%	Stage 2
>1 – 2%	60%	Stage 1
>2 – 2.5%	100%	None

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.
In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13A) dated July 2022 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated July 2022.

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

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

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

For the purposes of this condition,—

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

"SPV" means a person—

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

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

14. That—

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
  (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

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

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

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

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

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

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

15. That, for a loan-to-valuation measurement period ending on or after 30 November 2023, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 65%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

16. That, for a loan-to-valuation measurement period ending on or before 30 November 2023, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

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

In these conditions of registration,—

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

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

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

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

In conditions of registration 15 to 17,—

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

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

Changes in Condition of Registration:

The Bank's condition of registration has been amended such that with effect from 1 June 2023:

Loan-to-Value restrictions (LVRs) are changed

From:
- 10% limit for loans with LVR above 80% for owner occupiers, and
- 5% limit for loans with LVR above 60% for investors

to:
- 15% limit for loans with LVR above 80% for owner occupiers, and
- 5% limit for loans with LVR above 65% for investors.

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC NZ Rating Information

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

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 7 July 2022, Moody's Investors Service affirmed the ICBC (NZ)'s A1 long term credit rating and P-1 short term deposit rating. The outlook on ICBC (NZ)'s rating is stable, same as that of the Bank's parent.

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

Rating Information

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

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

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

Other Material Matters

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

Directors' Statement

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

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

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

2. During the six months ended 30 June 2023:

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

This Disclosure Statement is dated 31 August 2023 and has been signed by Bin Liu and Donald Thomas Brash as the responsible persons for and on behalf of all the Directors (by Directors' resolution):

Bin Liu
Alternate Executive Director

Donald Thomas Brash
Chairman/Independent Director

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China (New Zealand) Limited

Financial Statements for the six months ended 30 June 2023

CONTENTS

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*		63,467	34,504	83,128
Interest expense*		(45,032)	(17,770)	(48,304)
Net interest income		**18,435**	**16,734**	**34,824**
Net gains/(losses) on financial instruments at fair value through P&L		923	(9,494)	(6,406)
Fees and other Income	2	7,664	11,532	14,194
Total operating income		**27,022**	**18,772**	**42,612**
Operating expense		(11,933)	(10,195)	(21,068)
Impairment provisioning on financial assets	3	(927)	993	1,804
Net profit before taxation		**14,162**	**9,570**	**23,348**
Taxation expense	4	(3,981)	(2,669)	(6,599)
Net profit after taxation		**10,181**	**6,901**	**16,749**
Other comprehensive income		-	-	-
Total comprehensive income		**10,181**	**6,901**	**16,749**

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

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

Statement of Changes In Equity

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the six months ended 30 June 2023 (unaudited)				
Balance at the 31 December 2022		233,540	64,642	298,182
Capital injection from shareholders		-	-	-
Net profit and other comprehensive income for the period		-	10,181	10,181
Total equity movement for the period		-	10,181	10,181
Balance at 30 June 2023		233,540	74,823	308,363
For the six months ended 30 June 2022 (unaudited)				
Balance at the 31 December 2021		233,540	47,893	281,433
Capital injection from shareholders		-	-	-
Net profit and other comprehensive income for the period		-	6,901	6,901
Total equity movement for the period		-	6,901	6,901
Balance at 30 June 2022		233,540	54,794	288,334
For the year ended 31 December 2022 (audited)				
Balance at 31 December 2021		233,540	47,893	281,433
Capital injection from shareholders		-	-	-
Net profit and other comprehensive income for the year		-	16,749	16,749
Total equity movement for the year		-	16,749	16,749
Balance at 31 December 2022		233,540	64,642	298,182

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		180,935	181,883	314,124
Amounts due from related parties	10	569	-	-
Due from banks and other financial institutions		224,968	20,000	40,000
Investment securities		203,151	203,980	188,726
Derivative financial assets		3,659	3,176	4,380
Loans and advances to customers	5,9	1,573,970	1,648,558	1,663,262
Right-of-use assets		5,927	7,126	6,424
Property, plant and equipment		848	794	1,002
Deferred tax assets		5,022	6,616	5,232
Other assets		10,510	7,298	9,382
Total assets		**2,209,559**	**2,079,431**	**2,232,532**
Liabilities				
Due to central banks and other financial institutions		1	1	1
Amounts due to related parties	10	602,242	514,093	729,485
Derivative financial liabilities		8,223	9,826	10,772
Deposits from customers	6	637,839	592,543	565,721
Certificates of deposit	7	68,134	97,340	87,794
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		1,037	1,633	2,707
Other liabilities		27,488	15,124	20,657
Total liabilities		**1,901,196**	**1,791,097**	**1,934,350**
Shareholder's equity				
Share capital		233,540	233,540	233,540
Reserves		74,823	54,794	64,642
Total shareholder's equity		**308,363**	**288,334**	**298,182**
Total shareholder's equity and liabilities		**2,209,559**	**2,079,431**	**2,232,532**
Total interest earning and discount bearing assets	18	2,172,642	2,060,011	2,207,393
Total interest and discount bearing liabilities	18	1,810,050	1,702,069	1,841,861

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
Alternate Executive Director

Donald Thomas Brash
Chairman/Independent Director

STATEMENT OF CASH FLOWS

Thousands of dollars	Note	Unaudited 30 June 2023 6 months	Unaudited 30 June 2022 6 months	Audited 31 December 2022 12 months
Cash flows applied to operating activities				
Interest income		61,778	33,137	79,524
Other income		6,758	6,966	12,458
Interest expense		(38,456)	(14,862)	(37,961)
Long-term lease payments		(869)	(724)	(1,505)
Variable lease		(7)	(4)	(8)
Personnel expense		(8,196)	(6,548)	(15,329)
Other operating expense		(1,967)	(2,324)	(5,177)
Taxes paid		(5,441)	(4,096)	(5,568)
Changes in operating assets and liabilities arising from cash flow movements:		**13,600**	**11,545**	**26,434**
Changes in operating assets and liabilities arising from cash flow movements:				
(Increase)/decrease in loans and advances to customers		88,565	(27,221)	(41,370)
Increase/(decrease) in deposits from customers		72,118	(6,723)	(33,545)
Increase/(decrease) in amounts due to related parties		98,006	(60,000)	(25,000)
(Increase)/decrease in other assets		-	(1)	-
Increase/(decrease) in other liabilities		245	53	498
(Increase)/decrease in amounts due from related parties		(569)	4,332	4,332
Increase/(decrease) in certificates of deposit		(19,660)	(95,793)	(105,339)
Net change in operating assets and liabilities		**238,705**	**(185,353)**	**(200,424)**
Net cash flows applied to operating activities		**252,305**	**(173,808)**	**(173,990)**
Cash flows applied to investing activities				
Purchase of property, plant and equipment		(5)	(311)	(682)
Purchase of financial 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		277,060	(237,190)	(265,342)
Cash and cash equivalents at beginning of year		89,637	354,979	354,979
Cash and cash equivalents		**366,697**	**117,789**	**89,637**
Cash and cash equivalents at end of the period comprised:				
Cash, cash equivalents and balances with central banks		180,935	181,883	314,124
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		(39,237)	(84,093)	(264,486)
Total cash and cash equivalents		**366,697**	**117,789**	**89,637**

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 6 months	Unaudited 30 June 2022 6 months	Audited 31 December 2022 12 months
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit after taxation	**10,181**	**6,901**	**16,749**
Non cash movements:			
Unrealised fair value adjustments	(1,596)	2,897	3,435
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 disposal of fixed assets	-	-	1
Increase/(decrease) in allowance for impairment losses	910	(989)	(4,657)
Loss on written-off financial assets	17	-	2,858
Bad debts recovery	-	(4)	(5)
Unrealised foreign exchange gain/(loss)	(232)	2,031	1,235
(Increase)/decrease in deferred taxation	210	(760)	624
Amortisation of debt securities issued	101	(129)	(161)
Total non-cash adjustments	**559**	**4,131**	**5,531**
(Increase)/decrease in interest receivable	(1,392)	(1,160)	(3,350)
Increase/(decrease) in interest payable	6,399	2,955	10,345
(Increase)/decrease in loans and advances to customers	88,565	(27,221)	(41,371)
Increase/(decrease) in deposits from customers	72,118	(6,723)	(33,545)
Increase/(decrease) in certificates of deposit	(19,660)	(95,793)	(105,339)
Increase/(decrease) in lease liabilities	(794)	(641)	(1,346)
Increase/(decrease) in other liabilities	299	188	(1,406)
Increase/(decrease) in amounts due to related parties	98,006	(60,000)	(25,000)
(Increase)/decrease in current taxation	(1,670)	(667)	407
(Increase)/decrease in other assets	263	(110)	3
(Increase)/decrease in amounts due from related parties	(569)	4,332	4,332
Net cash flows applied to operating activities	**252,305**	**(173,808)**	**(173,990)**

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

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2023 (unaudited)

	31 December 2022	Net Cashflow	Non-cash changes: Amortisation	Non-cash changes: 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

Reconciliation of liabilities arising from financing activities

For the six months ended 30 June 2022 (unaudited)

	31 December 2021	Net Cashflow	Non-cash changes: Amortisation	Non-cash changes: Foreign Exchange movement	30 June 2022
Subordinated loans due to related parties	70,000	-	-	-	70,000
Debt securities issued	536,011	(53,071)	(129)	-	482,811
Total liabilities from financing activities	606,011	(53,071)	(129)	-	552,811

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2022 (audited)

	31 December 2021	Net Cash flow	Non-cash changes: Amortisation	Non-cash changes: 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 - Statement of Accounting Policies

(1) Reporting Entity

The reporting entity is Industrial and Commercial Bank of China (New Zealand) Limited (the "Bank", "ICBC NZ'). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements are for the six months ended 30 June 2023.

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

They were approved for issue by the Directors on 31 August 2023. The address of the Bank's registered office is Level 11, 188 Quay Street, Auckland 1010, New Zealand. The Bank provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

These interim financial statements are for the Bank for the six months ended 30 June 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 Bank'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) Presentation Currency

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

(4) Critical accounting estimates and judgments

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

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

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

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

Estimation uncertainties:

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

Applying judgment to the situation, the Bank 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.

Note 1 - Statement of Accounting Policies (continued)

(5) Changes in accounting policies

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

The Bank 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.

(6) 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 ICBC (NZ) to prepare a climate statement for the Bank financial year ended 31 December 2023 in terms of the standards issued by the external reporting board. ICBC (NZ) 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, ICBC (NZ) has also allocated capital under its ICAAP for climate risk.

(7) 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 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	161	63	182
Payment services fee income	374	241	534
Net foreign exchange gains/(losses)	1,361	7,691	4,259
Outsourcing service fee	5,768	3,537	9,219
Total other income/(losses)	7,664	11,532	14,194

Note 3 - Impairment Allowance

The following tables show changes in the impairment allowances. Information on how changes in gross carrying amounts of financial instruments have contributed to the changes in the impairment allowances is 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	Total as at 30 June 2023
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	1,991	5,992	115	32	386	-	8,516
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	7,461	115	32	386	-	11,104

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	Total as at 30 June 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	1	2,528	6,203	74	-	515	-	9,321
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	2	-	-	-	-	-	-	2
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - specific	-	1,114	3,425	-	-	-	-	4,539
Balance as at 30 June 2022	3	3,642	9,628	74	-	515	-	13,862

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	Total as at 31 December 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	2,677	5,843	80	-	253	-	8,853
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	5,843	80	-	253	-	10,194

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2023 **Movement in provision for credit impairment** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,677	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	5,843	-	-	-	5,843
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	654	964	-	-	1,618
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	5,992	1,469	-	-	7,461
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** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	32	-	-	-	32
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	32	-	-	-	32
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	253	-	-	-	253
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	133	-	-	-	133
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023*	386	-	-	-	386
Total					
Balance at beginning of period	8,853	420	-	921	10,194
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	173	1,253	-	(499)	927
Bad debts written off	-	-	-	(17)	(17)
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2023	8,516	1,763	-	825	11,104

*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				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
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	1,110,020	-	-	-	1,110,020
Net drawdown/(repayment)	(129,706)	(5,803)	-	-	(135,509)
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	855,099	119,412	-	-	974,511
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				
	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	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
Total					
Balance at beginning of period	1,899,396	1,088	-	1,445	1,901,929
Net addition/(deletion)	116,711	(5,803)	-	(13)	110,895
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	1,889,950	120,354	-	2,503	2,012,807
Commitments and financial guarantee contracts					
Balance at beginning of period	210,269	-	-	-	210,269
Net increase/(decrease) facilities	(20,373)	-	-	-	(20,373)
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	189,896	-	-	-	189,896

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2022 Movement in provision for credit impairment Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,464	686	-	570	3,720
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge to statement of comprehensive income in current year	70	-	-	(148)	(78)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	2,528	-	-	1,114	3,642
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	-	2	-	(4)	(2)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	1	2	-	-	3
Corporate and institutional					
Balance at beginning of period	6,716	-	-	3,425	10,141
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(513)	-	-	-	(513)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	6,203	-	-	3,425	9,628
Investment securities					
Balance at beginning of period	37	-	-	-	37
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	37	-	-	-	37
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	74	-	-	-	74

Note 3 - Impairment Allowance (continued)

Unaudited 30 June 2022 **Movement in provision for credit impairment** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(1)	-	-	-	(1)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	951	-	-	-	951
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(436)	-	-	-	(436)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022*	515	-	-	-	515
Total					
Balance at beginning of period	10,170	686	-	3,995	14,851
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(recovery) to statement of comprehensive income in current year	(843)	2	-	(152)	(993)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	9,321	2	-	4,539	13,862

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

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Unaudited 30 June 2022				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Residential mortgage lending					
Balance at beginning of period	516,047	1,611	-	225	517,883
Net drawdown/(repayment)	18,463	-	-	(1,611)	16,852
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	533,307	-	-	1,428	534,735
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	17	-	-	-	17
Net drawdown/(repayment)	10	-	-	(4)	6
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(8)	8	-	-	-
Transfer to stage 3		-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	19	8	-	-	27
Corporate and institutional					
Balance at beginning of period	1,111,495	-	-	5,211	1,116,706
Net drawdown/(repayment)	10,376	-	-	(13)	10,363
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	1,121,871	-	-	5,198	1,127,069
Investment securities					
Balance at beginning of period	194,318	-	-	-	194,318
Net purchase/(disposal)	9,736	-	-	-	9,736
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	204,054	-	-	-	204,054

Note 3 - Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	**Unaudited 30 June 2022**				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	150,000	-	-	-	150,000
Net drawdown/(repayment)	(130,000)	-	-	-	(130,000)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	20,000	-	-	-	20,000
Total					
Balance at beginning of period	1,971,877	1,611	-	5,436	1,978,924
Net addition/(deletion)	(91,415)	-	-	(1,628)	(93,043)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(8)	8	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	4	4
Balance as at 30 June 2022	1,879,251	8	-	6,626	1,885,885
Commitments and financial guarantee contracts					
Balance at beginning of period	333,512	-	-	-	333,512
Net increase/(decrease) facilities	(78,715)	-	-	-	(78,715)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 30 June 2022	254,797	-	-	-	254,797

Note 3 - Impairment Allowance (continued)

Audited 31 December 2022 **Movement in provision for credit impairment** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Residential mortgage lending					
Balance at beginning of period	2,464	686	-	570	3,720
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(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	6,716	-	-	3,425	10,141
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(873)	-	-	(567)	(1,440)
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	5,843	-	-	-	5,843
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	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** Thousands of dollars	Stage 1 (Collective provision)	Stage 2 (Collective provision)	Stage 3 (Collective provision)	Stage 3 (Specific Provision)	Total
Due from banks and other financial institutions					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(1)	-	-	-	(1)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	951	-	-	-	951
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge to statement of comprehensive income in current year	(698)	-	-	-	(698)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022*	253	-	-	-	253
Total					
Balance at beginning of period	10,170	686	-	3,995	14,851
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(86)	86	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(recovery) to statement of comprehensive income in current year	(1,225)	334	-	(913)	(1,804)
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	5	5
Balance as at 31 December 2022	8,853	420	-	921	10,194

*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				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Residential mortgage lending					
Balance at beginning of period	516,047	1,611	-	225	517,883
Net drawdown/(repayment)	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	1,111,495	-	-	5,211	1,116,706
Net drawdown/(repayment)	(1,475)	-	-	(2,353)	(3,828)
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	1,110,020	-	-	-	1,110,020
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**				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	150,000	-	-	-	150,000
Net drawdown/(repayment)	(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
Total					
Balance at beginning of period	1,971,877	1,611	-	5,436	1,978,924
Net addition/(deletion)	(70,190)	-	-	(3,952)	(74,142)
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	1,899,396	1,088	-	1,445	1,901,929
Commitments and financial guarantee contracts					
Balance at beginning of period	333,512	-	-	-	333,512
Net increase/(decrease) facilities	(123,243)	-	-	-	(123,243)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2022	210,269	-	-	-	210,269

Note 4 - Taxation

Consistent with NZ IAS 12, the Bank has recognised deferred tax assets of $5,022K as at 30 June 2023 (30 June 2022: $6,616K, 31 December 2022: $5,232K). 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	14,162	9,570	23,348
Tax calculated at a tax rate of 28%	3,965	2,680	6,537
Over/(under) provision from prior period	-	-	10
Temporary differences not recognised	16	(11)	-
Utilisation of tax losses previously unrecognised	-	-	-
Other permanent differences	-	-	52
Taxation charge/(benefit) as per the statement of comprehensive income	3,981	2,669	6,599
Represented by:			
Current tax	3,771	3,429	5,975
Deferred tax	210	(760)	624
Taxation charge/(benefit) as per the statement of comprehensive income	3,981	2,669	6,599

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	974,511	1,127,069	1,110,020
Credit Cards	1	27	21
Other exposures	-	-	-
Allowance for impairment losses	(10,571)	(13,273)	(9,861)
Total net loans and receivables	1,573,970	1,648,558	1,663,262
Current	286,617	229,574	48,937
Non-Current	1,287,353	1,418,984	1,614,325

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	54,398	62,445	58,354
Demand deposits bearing interest	9,789	15,486	4,426
Term deposits	573,652	514,612	502,941
Total deposits	637,839	592,543	565,721
Current	628,482	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)	68,134	97,340	87,794
Other debt securities	549,706	482,811	475,180
Total debt securities issued	617,840	580,151	562,974
Current	368,103	105,372	88,226
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 Bank has disclosed certain component's of its loan portfolio as impaired assets according to the classification below:

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

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

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

Unaudited 30 June 2023 Thousands of dollars	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Total neither past due nor impaired	1	606,584	974,511	1,581,096
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 year	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	974,511	1,584,541
Individually assessed provisions				
Balance at beginning of the year	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 year	-	3,097	5,843	8,940
Charge/(credit) to the statement of comprehensive income	-	(812)	1,618	806
Other movements	-	-	-	-
Balance at end of the period	-	2,285	7,461	9,746
Total provisions for impairment losses	-	3,110	7,461	10,571
Total net loans and advances	1	606,919	967,050	1,573,970

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	1,121,871	1,655,197
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	8	-	-	8
At least 90 days past due	-	-	-	-
Total past due assets not impaired	8	-	-	8
Individually impaired assets				
Balance at beginning of the year	-	225	5,211	5,436
Additions	-	1,203	-	1,203
Amounts recovered	4	-	-	4
Amounts written off	-	-	-	-
Deletions	(4)	-	(13)	(17)
Total individually impaired assets	-	1,428	5,198	6,626
Total gross loans and advances	27	534,735	1,127,069	1,661,831
Individually assessed provisions				
Balance at beginning of the year	-	570	3,425	3,995
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	544	-	544
Reversals of previously recognised impairment losses	(4)	-	-	(4)
Amounts recovered	4	-	-	4
Amounts written off	-	-	-	-
Balance at end of the year	-	1,114	3,425	4,539
Collectively assessed provisions				
Balance at beginning of the year	1	3,150	6,716	9,867
Charge/(credit) to the statement of comprehensive income	2	(622)	(513)	(1,133)
Other movements	-	-	-	-
Balance at end of the year	3	2,528	6,203	8,734
Total provisions for impairment losses	3	3,642	9,628	13,273
Total net loans and advances	24	531,093	1,117,441	1,648,558

Note 9 – Asset Quality (continued)

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	1,110,020	1,670,590
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
Amounts recovered	-	-	(2,858)	(2,858)
Amounts written off	5	-	-	5
Deletion	(5)	-	(2,353)	(2,358)
Total individually impaired assets	17	1,428	-	1,445
Total gross loans and advances	21	563,082	1,110,020	1,673,123
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	6,716	9,867
Charge/(credit) to the statement of comprehensive income	(1)	(53)	(873)	(927)
Other movements	-	-	-	-
Balance at end of the period	-	3,097	5,843	8,940
Total provisions for impairment losses	17	4,001	5,843	9,861
Total net loans and advances	4	559,081	1,104,177	1,663,262

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

Undrawn balances on lending commitments to counterparties were $190M as at 30 June 2023 (30 June 2022: $253M, 31 December 2022: $210M).

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

Note 10 – Balances with Related Parties

A. Balance with related parties

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Amounts due from ultimate parent	569	-	-
Amount due from controlled entities of ultimate parent	-	-	-
Total amount due from related parties	569	-	-
Current	569	-	-
Non-Current	-	-	-
Amounts due to ultimate parent	601,229	513,858	728,550
Amount due to controlled entities of ultimate parent	1,013	235	935
Total amount due to related parties	602,242	514,093	729,485
Current	169,236	84,093	264,485
Non-Current	433,006	430,000	465,000

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 30 June 2023 was $10M (30 June 2022: $5M, 31 December 2022: $4M). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches.

2. ICBC Group, from time to time, transfers payments through the ICBC NZ vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC NZ Vostro account was NZ$39M as at 30 June 2023 (30 June 2022: NZ$84M, 31 December 2022: NZ$264M).

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	61	9	36
Subsidiaries of ultimate parent	-	-	-
Total interest income on amount due from related entities	61	9	36
Interest expense on amount due to related entities			
Ultimate parent	16,368	5,134	14,331
Subsidiaries of ultimate parent	11	2	13
Total interest expense on amount due to related entities	16,379	5,136	14,344
Other operating income			
Gain/(loss) on derivative contracts with ultimate parent	-	-	-
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	335	(132)	(8)
Fees charged to ICBC Auckland Branch	5,767	3,537	9,219
Total other operating income	6,102	3,405	9,211
Other operating expense			
Other operating expense paid to ultimate parent	63	91	121

Interest payable to parent as at 30 June 2023 was $7,159K (30 June 2022: $2,349K, 31 December 2022: $4,512K), and interest payable to subsidiaries of the ultimate parent was $3K (30 June 2022: $2K, 31 December 2022: $6K). 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.

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

Note 10 – Balances with Related Parties (continued)

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

D. Guarantees

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

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

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

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

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

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

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

Note 11 – Concentration of Credit Risk

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

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Government	201,631	213,335	342,392
Finance (including banks)	435,382	233,529	243,946
Households	611,498	535,767	564,195
Transport and storage	32,006	70,008	41,012
Communications	18,386	27,328	18,370
Accommodation and food service	72,131	49,589	72,617
Construction	45,930	114,954	101,263
Property services	501,151	551,615	526,904
Agriculture	5,001	4,951	4,952
Forestry, fishing and mining	39,638	31,183	49,920
Health and community services	100,448	100,470	100,897
Retail and wholesale trade	70,034	60,306	60,557
Manufacturing	64,444	84,419	82,762
Education	10,069	-	19,143
Less: allowance for impairment provisioning	(10,718)	(13,347)	(9,941)
Total financial assets	2,197,031	2,064,107	2,218,989
Less: non-interest earning financial assets	(24,389)	(4,096)	(11,596)
Total interest earning and discount bearing financial assets	2,172,642	2,060,011	2,207,393

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	2,014,026	1,867,368	2,022,566
Overseas	183,005	196,739	196,423
Total financial assets	2,197,031	2,064,107	2,218,989

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	1,573,970	1,648,558	1,663,262
Derivative financial instruments	740	-	527
Trade and Other Receivables	-	-	-
Other financial assets	6,511	5,115	7,190
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	1,581,221	1,653,673	1,670,979
Cash and cash equivalents	180,935	181,883	314,124
Amounts due from related parties	569	-	-
Due from other financial institutions	224,968	20,000	40,000
Investment securities	203,151	203,980	188,726
Derivative financial instruments	2,919	3,176	3,853
Loans and advances to customers	-	-	-
Tax receivable	-	-	-
Other financial assets	3,268	1,395	1,307
Total on Balance Sheet Credit Exposures	2,197,031	2,064,107	2,218,989
Off Balance Sheet Exposures	189,896	254,797	210,269
Total Off Balance Sheet Credit Exposures	189,896	254,797	210,269

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

(i) Credit exposure to individual counterparties

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

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

Peak End of Day Credit Exposures	Unaudited During the 6 months period ended 30 June 2023			Unaudited During the 6 months period ended 30 June 2022			Audited During the 6 months period ended 31 December 2022		
	Number of Bank Counterparties			Number of Bank Counterparties			Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	-	1	-	-	2	-	-
15% - 19%	-	-	-	-	-	-	-	-	-
20% - 24%	1	-	-	2	-	-	-	-	-
25% - 29%	2	-	-	-	-	-	1	-	-
30% - 34%	-	-	-	1	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 60%	1	-	-	-	-	-	-	-	-

Peak End of Day Credit Exposures	Unaudited During the 6 months period ended 30 June 2023			Unaudited During the 6 months period ended 30 June 2022			Audited During the 6 months period ended 31 December 2023		
	Number of Other Counterparties			Number of Other Counterparties			Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	4	-	-	3	-	-	6
15% - 19%	-	-	9	-	-	7	-	-	8
20% - 24%	1	-	2	1	-	7	1	-	3
25% - 29%	-	-	-	-	-	2	-	-	2
30% - 34%	-	-	2	-	-	1	-	-	2
35% - 39%	-	-	-	-	-	1	-	-	-
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 50%	-	-	-	-	-	-	-	-	-

Note 11 – Concentration of Credit Risk (continued)

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2023 Number of Bank Counterparties			Unaudited As at 30 June 2022 Number of Bank Counterparties			Audited As at 31 December 2022 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	-	4	-	-	2	-	-
15% - 19%	1	-	-	-	-	-	-	-	-
20% - 24%	-	-	-	-	-	-	-	-	-
25% - 29%	1	-	-	-	-	-	1	-	-
30% - 34%	-	-	-	-	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-	-	-	-
55% - 60%	1	-	-	-	-	-	-	-	-

Credit Exposures as at Reporting Date	Unaudited As at 30 June 2023 Number of Other Counterparties			Unaudited As at 30 June 2022 Number of Other Counterparties			Audited As at 31 December 2022 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	3	-	-	6	-	-	4
15% - 19%	-	-	8	-	-	4	-	-	7
20% - 24%	1	-	2	1	-	5	1	-	4
25% - 29%	-	-	-	-	-	2	-	-	-
30% - 34%	-	-	2	-	-	1	-	-	2
35% - 39%	-	-	-	-	-	1	-	-	-
40% - 44%	-	-	-	-	-	-	-	-	-
45% - 50%	-	-	-	-	-	-	-	-	-

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

The Bank had no cental government, central bank, supranational or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregated credit exposure, as at 30 June 2023, and peak end-of-day aggregate credit exposure, for the six months ended 30 June 2023, equalled or exceeded 10% of the Bank's Common Equity Tier One Capital.

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

Note 12 – Concentration of Funding

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

Thousands of dollars	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
New Zealand			
Transport and storage	18,926	42,749	38,929
Financing investment and insurance	625,142	573,260	550,421
Food and other manufacturing	759	1,666	3,313
Construction	14,400	10,491	17,390
Communication	122	580	300
Government, local authorities and services	51,349	53,598	51,063
Agriculture	4	12	36
Forestry	7,454	1,372	212
Property and business services	40,597	32,472	23,478
Education	28,318	42,444	32,710
Retail and wholesale trade	9,479	2,395	3,448
Accommodation and food services	19	1,248	106
Art and recreational service	20,389	20,000	20,000
Other	5,527	7,070	5,544
Households	113,933	73,845	93,661
Overseas			
Amounts due to related parties	609,402	586,895	769,637
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	1,899,987	1,789,421	1,931,526
Less: non-interest bearing financial liabilities	(89,937)	(87,352)	(89,665)
Total interest and discount bearing liabilities	1,810,050	1,702,069	1,841,861

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	637,839	592,543	565,721
Registered Banks	1	1	1
Derivative financial liabilities	8,223	9,826	10,772
Certificates of deposit	68,134	97,340	87,794
Subordinated loans due to related parties	-	70,000	35,000
Debts securities issued	549,706	482,811	475,180
Amounts due to related parties	602,242	514,093	729,485
Lease liabilities	6,526	7,726	7,033
Other	27,316	15,081	20,540
Total financial liabilities	1,899,987	1,789,421	1,931,526

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

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	-	1,761	-
Total contingent liabilities	-	1,761	-
Undrawn Commitments	189,896	253,036	210,269

Note 14 – Subsequent Events after Balance Sheet Date

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

Note 15 – Dividend

During the 6 months ended 30 June 2023 the Bank has not paid any dividends to its shareholder (30 June 2022: nil, 31 December 2022: nil).

Note 16 – Fair Value of Financial Instruments

Fair value Assumptions

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

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

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

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

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

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

Fair Value Measurements

Under NZ IFRS 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 16 – 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	180,935	-	180,935	-	180,935
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	3,659	-	3,659	-	3,659
Loans and advances to customers	1,573,970	-	1,572,175	-	1,572,175
Other financial assets	9,779	-	9,779	-	9,779
Total financial assets	2,197,031	195,345	1,992,085	-	2,187,430
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	602,242	-	599,411	-	599,411
Derivative financial liabilities	8,223	-	8,223	-	8,223
Deposits from customers	637,839	-	637,944	-	637,944
Certificates of deposit	68,134	-	68,184	-	68,184
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	27,316	-	27,316	-	27,316
Total financial liabilities	1,899,987	-	1,894,181	-	1,894,181

Unaudited 30 June 2022		Estimated Fair Value			
Thousands of dollars	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	181,883	-	181,883	-	181,883
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	20,000	-	20,000	-	20,000
Investment securities	203,980	195,839	-	-	195,839
Derivative financial assets	3,176	-	3,176	-	3,176
Loans and advances to customers	1,648,558	-	1,645,247	-	1,645,247
Other financial assets	6,510	-	6,510	-	6,510
Total financial assets	2,064,107	195,839	1,856,816	-	2,052,655
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	514,093	-	511,769	-	511,769
Derivative financial liabilities	9,826	-	9,826	-	9,826
Deposits from customers	592,543	-	592,438	-	592,438
Certificates of deposit	97,340	-	97,233	-	97,233
Subordinated loans due to related parties	70,000	-	70,000	-	70,000
Debt securities issued	482,811	-	480,667	-	480,667
Lease liabilities	7,726	-	7,726	-	7,726
Other financial liabilities	15,081	-	15,081	-	15,081
Total financial liabilities	1,789,421	-	1,784,741	-	1,784,741

Note 16 – 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	314,124	-	314,124	-	314,124
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	4,380	-	4,380	-	4,380
Loans and advances to customers	1,663,262	-	1,658,160	-	1,658,160
Other financial assets	8,497	-	8,497	-	8,497
Total financial assets	2,218,989	178,524	2,025,161	-	2,203,685
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	729,485	-	725,026	-	725,026
Derivative financial liabilities	10,772	-	10,772	-	10,772
Deposits from customers	565,721	-	565,509	-	565,509
Certificates of deposit	87,794	-	87,794	-	87,794
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	20,540	-	20,540	-	20,540
Total financial liabilities	1,931,526	-	1,923,302	-	1,923,302

Note 17 – Liquidity Risk

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

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

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

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

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

Unaudited 30 June 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	39,967	34,871	130,050	457,067	-	661,955
Deposits from customers	65,453	261,942	324,420	10,681	-	662,496
Certificates of deposit	-	40,500	30,000	-	-	70,500
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	3,152	-	-	3,844
Total financial liabilities	105,421	345,999	810,545	744,857	789	2,007,611
Derivative cash flows						
Inflows from derivatives	-	35,368	8,045	15,692	4811	63,916
Outflows from derivatives	-	(37,457)	(10,716)	(15,605)	(4788)	(68,566)
Total	-	(2,089)	(2,671)	87	23	(4,650)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	189,896	-	-	-	-	189,896
Total	189,896	-	-	-	-	189,896

Note 17 – Liquidity Risk (continued)

Unaudited 30 June 2022	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	84,155	1,394	9,743	454,533	-	549,825
Deposits from customers	80,533	274,121	240,953	5,251	-	600,858
Certificates of deposit	-	-	100,000	-	-	100,000
Subordinated loans due to related parties	-	398	71,020	-	-	71,418
Debt securities issued	-	10,848	12,316	494,551	-	517,715
Long-term lease liabilities	-	381	1,163	5,214	1,316	8,074
Other financial liabilities	-	112	6,825	-	-	6,937
Total financial liabilities	164,689	287,254	442,020	959,549	1,316	1,854,828
Derivative cash flows						
Inflows from derivatives	-	83,981	5,032	7,108	-	96,121
Outflows from derivatives	-	(86,256)	(5,551)	(8,649)	-	(100,456)
Total	-	(2,275)	(519)	(1,541)	-	(4,335)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	253,036	-	-	-	-	253,036
Total	253,036	-	-	-	-	253,036

Note 17 – 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	264,871	2,600	16,405	494,416	-	778,292
Deposits from customers	63,947	224,370	286,301	6,566	-	581,184
Certificates of deposit	-	90,000	-	-	-	90,000
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	-	594	2,758	-	-	3,352
Total financial liabilities	328,819	359,108	324,171	999,308	789	2,012,195
Derivative cash flows						
Inflows from derivatives	-	80,373	7,600	15,046	5,405	108,424
Outflows from derivatives	-	(82,297)	(9,349)	(16,574)	(5,375)	(113,595)
Total	-	(1,924)	(1,749)	(1,528)	30	(5,171)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	210,269	-	-	-	-	210,269
Total	210,269	-	-	-	-	210,269

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	180,935	181,883	314,124
Due from banks and other financial institutions	224,968	20,000	40,000
Investment securities	203,151	203,980	188,726
Total liquidity portfolio	**609,054**	**405,863**	**542,850**

Note 18 – Interest Rate Risk

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

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

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

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

Unaudited 30 June 2023	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	21,827	159,108	-	-	-	-	180,935
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	3,659	-	-	-	-	-	3,659
Loans and advances to customers	(10,571)*	1,082,520	116,522	212,751	161,084	11,664	1,573,970
Other financial assets	9,620	-	-	-	-	159	9,779
Total financial Assets	24,388	1,452,197	176,526	238,755	242,641	62,524	2,197,031
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	342,242	160,000	100,000	-	-	602,242
Derivative financial liabilities	8,223	-	-	-	-	-	8,223
Deposits from customers	54,398	266,507	116,537	191,040	5,884	3,473	637,839
Certificates of deposit	-	39,891	-	28,243	-	-	68,134
Subordinated loans due to related parties	-	-	-	-	-	-	-
Debt securities issued	-	449,738	-	99,968	-	-	549,706
Lease liabilities	-	-	-	-	-	6,526	6,526
Other financial liabilities	27,316	-	-	-	-	-	27,316
Total financial liabilities	89,937	1,098,379	276,537	419,251	5,884	9,999	1,899,987
On-balance sheet gap	(65,549)	353,818	(100,011)	(180,496)	236,757	52,525	297,044
Net derivative notional principals	-	(100,000)	-	100,000	-	-	-
Net effective interest rate gap	(65,549)	253,818	(100,011)	(80,496)	236,757	52,525	297,044

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

Note 18 – Interest Rate Risk (continued)

Unaudited 30 June 2022	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	7,916	173,967	-	-	-	-	181,883
Amounts due from related parties	-	-	-	-	-	-	-
Due from banks and other financial institutions	-	20,000	-	-	-	-	20,000
Investment securities	(74)*	9,000	6,043	15,374	46,025	127,612	203,980
Derivative financial assets	3,176	-	-	-	-	-	3,176
Loans and advances to customers	(13,273)*	1,200,058	75,274	236,747	121,509	28,243	1,648,558
Other financial assets	6,351	-	-	-	-	159	6,510
Total financial Assets	4,096	1,403,025	81,317	252,121	167,534	156,014	2,064,107
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	254,093	160,000	-	100,000	-	514,093
Derivative financial liabilities	9,826	-	-	-	-	-	9,826
Deposits from customers	62,445	290,392	113,503	121,272	4,565	366	592,543
Certificates of deposit	-	-	48,942	48,398	-	-	97,340
Subordinated loans due to related parties	-	35,000	35,000	-	-	-	70,000
Debt securities issued	-	382,441	-	432	99,938	-	482,811
Lease liabilities	-	-	-	-	36	7,690	7,726
Other financial liabilities	15,081	-	-	-	-	-	15,081
Total financial liabilities	87,352	961,927	357,445	170,102	204,539	8,056	1,789,421
On-balance sheet gap	(83,256)	441,098	(276,128)	82,019	(37,005)	147,958	274,686
Net derivative notional principals	-	(100,000)	-	-	100,000	-	-
Net effective interest rate gap	(83,256)	341,098	(276,128)	82,019	62,995	147,958	274,686

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

Note 18 – Interest Rate Risk (continued)

Audited 31 December 2022	Non-interest bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	8,819	305,305	-	-	-	-	314,124
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	4,380	-	-	-	-	-	4,380
Loans and advances to customers	(9,861)*	1,194,463	149,319	183,358	132,524	13,459	1,663,262
Other financial assets	8,338	-	-	-	-	159	8,497
Total financial Assets	11,596	1,539,768	164,673	203,369	184,430	115,153	2,218,989
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	469,485	160,000	-	100,000	-	729,485
Derivative financial liabilities	10,772	-	-	-	-	-	10,772
Deposits from customers	58,353	226,319	133,720	141,357	4,493	1,479	565,721
Certificates of deposit	-	87,794	-	-	-	-	87,794
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	20,540	-	-	-	-	-	20,540
Total financial liabilities	89,665	1,193,833	293,720	141,357	204,465	8,486	1,931,526
On-balance sheet gap	(78,069)	345,935	(129,047)	62,012	(20,035)	106,667	287,463
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(78,069)	245,935	(129,047)	62,012	(20,035)	206,667	287,463

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

Note 19 – Capital Adequacy

(a) Issued Capital

The Bank had 233,539,975 fully paid up ordinary shares (tier one capital) issued at NZ$1 per share as at 30 June 2023.

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

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

The ordinary shares issuance details is shown as below:

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

Note 19 – Capital Adequacy (continued)

(b) Other Classes of Capital Instrument

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

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

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios as at 30 June 2023, 30 June 2022, and 31 December 2022. The Bank has complied with both regulatory and internal capital adequacy requirements.

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

(c) Tier one and two Capital

Thousands of dollars	**30 June 2023**	**30 June 2022**	**31 December 2022**
Tier one capital			
Common Equity Tier one capital			
Issued and fully paid up share capital	233,540	233,540	233,540
Retained earnings	74,823	54,794	64,642
Accumulated other comprehensive income and other disclosed reserves	-	-	-
Interest from issue of ordinary shares	-	-	-
Less:	-	-	-
Goodwill and other intangible assets	-	-	-
Regulatory adjustments	-	-	-
Deferred tax assets	(5,022)	(6,616)	(5,232)
Total common equity tier one capital	303,341	281,718	292,950
Additional Tier one capital			
High-quality capital	-	-	-
Instruments issued	-	-	-
Share premium from issue of instruments	-	-	-
Associated retained earnings	-	-	-
Less: Regulatory adjustments	-	-	-
Total additional tier one capital	-	-	-
Total tier one capital	303,341	281,718	292,950
Tier two capital			
Subordinated loans due to related parties	-	14,000	7,000
Share premium from issue of instruments	-	-	-
Revaluation reserves	-	-	-
Foreign currency translation reserves	-	-	-
Less: Regulatory adjustments	-	-	-
Total tier two capital	-	14,000	7,000
Total capital	303,341	295,718	299,950

Note 19 – Capital Adequacy (continued)

(d) Credit Risk

30 June 2023 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	150,510	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	50,496	20%	10,099	808
Banks rating grade 1	356,914	20%	71,383	5,711
Banks rating grade 2 (≤3 months)	20,121	20%	4,024	322
Banks rating grade 2 (>3 months)	52,645	50%	26,322	2,106
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	50%	-	-
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	100%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	945,996	100%	945,996	75,680
Corporate-secured by collateral	-	100%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	292,543	35%	102,390	8,191
Residential mortgages (investment) not past due -LVR up to 80%.	313,344	40%	125,338	10,027
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	70%	-	-
Past due residential mortgages	1,032	100%	1,032	83
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	-	100%	-	-
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	25,968	100%	25,968	2,077
Total on balance sheet exposures after credit risk mitigation	2,209,569	-	1,312,552	105,005

Note 19 – Capital Adequacy (continued)

30 June 2023 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	-	50%	-	100%	-	-
Trade-related contingency	-	20%	-	100%	-	-
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	158,911	50%	79,455	100%	79,455	6,356
Other commitments where original maturity is more than one year	29,989	50%	14,995	20%	2,999	240
Other commitments where original maturity is less than or equal to one year	610	20%	122	100%	122	10
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	33,698	N/A	349	20%	70	6
(b) Interest rate contracts	357,000	N/A	5,032	64%	3,233	259
(c) Credit Valuation Adjustment	-	-	-	100%	4,436	355
(d) Other - OTC, etc.	-	0%	-	100%	-	-
Total off-balance sheet exposures	580,208	-	99,953	-	90,315	7,226

Note 19 – Capital Adequacy (continued)

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

Note 19 – Capital Adequacy (continued)

30 June 2022 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	-	50%	-	100%	-	-
Trade-related contingency	1,761	20%	352	100%	352	28
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	221,303	50%	110,652	100%	110,652	8,852
Other commitments where original maturity is more than one year	29,995	50%	14,998	20%	2,999	240
Other commitments where original maturity is less than or equal to one year	1,223	20%	245	100%	245	19
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	83,285	1%	833	100%	883	67
(b) Interest rate contracts	310,000	N/A	1,450	100%	1,450	116
(c) Credit Valuation Adjustment	-	-	-	-	-	-
(d) Other - OTC, etc.	-	0%	-	100%	-	-
Total off-balance sheet exposures	647,567	-	128,529	-	116,531	9,322

Note 19 – Capital Adequacy (continued)

31 December 2022 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	301,495	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	50,647	20%	10,130	811
Banks rating grade 1	155,149	20%	31,030	2,482
Banks rating grade 2 (≤3 months)	22,097	20%	4,419	354
Banks rating grade 2 (>3 months)	51,710	50%	25,855	2,068
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	-	100%	-	-
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	-	150%	-	-
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,065,930	100%	1,065,930	85,274
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	275,748	35%	96,512	7,721
Residential mortgages (investment) not past due -LVR up to 80%.	282,808	40%	113,123	9,050
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	75%	-	-
Past due residential mortgages	524	100%	524	42
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	-	100%	-	-
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	26,424	100%	26,424	2,114
Total on balance sheet exposures after credit risk mitigation	2,232,532	-	1,373,947	109,916

Note 19 – Capital Adequacy (continued)

31 December 2022 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	-	50%	-	100%	-	-
Trade-related contingency	-	20%	-	100%	-	-
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	179,388	50%	89,694	100%	89,694	7,176
Other commitments where original maturity is more than one year	29,996	50%	14,998	20%	3,000	240
Other commitments where original maturity is less than or equal to one year	632	20%	126	100%	126	10
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	78,698	N/A	787	20%	157	13
(b) Interest rate contracts	370,000	N/A	6,480	60%	3,903	312
(c) Credit Valuation Adjustment	-	-	-	-	4,687	375
(c) Other - OTC, etc.	-	0%	-	100%	-	-
Total off-balance sheet exposures	658,714	-	112,085	-	101,567	8,126

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

Note 19 – Capital Adequacy (continued)

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

30 June 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

(f) 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

(g) Credit risk mitigation

30 June 2023 Thousands of dollars	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives
Exposure Class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	-	-

Note 19 – Capital Adequacy (continued)

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

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

(h) Operational risk capital requirement

30 June 2023

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	107,463	8,597

30 June 2022

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

31 December 2022

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	108,238	8,659

Note 19 – Capital Adequacy (continued)

(i) Market Risk

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

30 June 2023	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	50,725	4,058	57,400	4,592
Foreign currency risk	11,125	890	12,075	966
Equity risk	-	-	-	-
Total capital requirements	61,850	4,948	69,475	5,558

30 June 2023

Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,789,777	1,402,867	112,231
Operational risk	-	107,463	8,597
Market risk	-	61,850	4,948
Total	2,789,777	1,572,180	125,776

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

30 June 2022

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

Note 19 – Capital Adequacy (continued)

31 December 2022	End-period capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	46,188	3,695	57,550	4,604
Foreign currency risk	9,013	721	11,888	951
Equity risk	-	-	-	-
Total capital requirements	55,201	4,416	69,438	5,555

31 December 2022			
Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	2,891,246	1,475,514	118,041
Operational risk	-	108,238	8,659
Market risk	-	55,201	4,416
Total	2,891,246	1,638,953	131,116

Capital ratios

Regulatory Capital Ratios	**Regulatory Minimum**	**30 June 2023**	**30 June 2022**	**31 December 2022**
Common Equity Tier 1 Capital Ratio	4.50%	19.29%	16.95%	17.87%
Tier 1 Capital Ratio	6.00%	19.29%	16.95%	17.87%
Total Qualifying Capital Ratio	8.00%	19.29%	17.79%	18.30%
RBNZ required Buffer Ratio	2.50%	11.29%	9.79%	10.30%

(j) Capital for Other Material Risks

The Bank has an Internal Capital Adequacy Assessment Process (“ICAAP”) that accords with the requirements set out in Part D of BPR100: Capital Adequacy and the Bank’s Conditions of Registration. The Bank identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the Pillar 1 processes, such as strategic risk, model risk, liquidity risk, group risk, climate risk and other external factors. The Bank's internal capital allocation for these other material risks is NZ$ 91.55M (30 June 2022: NZ110.37M, 31 December 2022: NZ91.55M).

(k) Regulatory liquidity ratios

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

	Unaudited For the 3 months ended 30 June 2023	Unaudited For the 3 months ended 31 March 2023
One-week mismatch ratio	10.8%	10.5%
One-month mismatch ratio	18.4%	15.4%
Core funding ratio	93.8%	94.9%

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

Note 19 – Capital Adequacy (continued)

	Unaudited For the 3 months ended 31 December 2022	Unaudited For the 3 months ended 30 September 2022
One-week mismatch ratio	7.3%	10.0%
One-month mismatch ratio	13.3%	14.7%
Core funding ratio	94.6%	92.9%

(l) Capital adequacy of Ultimate Parent Bank

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

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

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

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

	30 June 2023	30 June 2022	31 December 2022
Ultimate Parent Bank 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%
Ultimate Parent 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 – Risk Management Policies

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

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

As at balance date the Bank was not involved in:

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

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Independent Auditor's Review Report

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

Conclusion

We have reviewed the interim financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) ('the supplementary information') of Industrial and Commercial Bank of China (New Zealand) Limited (the 'Bank') for the six months ended 30 June 2023.

The interim financial statements, as required by clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order'), comprise the statement of financial position of the Bank as at 30 June 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period ended on that date, and a summary of significant accounting policies and other explanatory information.

The supplementary information comprises the information required to be disclosed under Schedules 5, 7, 13, 16 and 18 of the Order.

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

- the interim financial statements on pages 14 to 67 (excluding the supplementary information) of the Bank do not present fairly, in all material respects, the financial position of the Bank 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 Capital Adequacy and Regulatory Liquidity Requirements) disclosed in accordance with Schedules 5, 7, 13, 16 and 18 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 Bank in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In addition to our role as auditor, our firm carried out other assurance services for the Bank over the compliance with regulation, capital adequacy and regulatory liquidity requirements. The provision of these other services has not impaired our independence as auditor of the Bank. In addition to this, partners and employees of our firm deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. The firm has no other relationship with, or interest in, the Bank.

Directors' responsibilities for the interim financial statements and supplementary information
The directors are responsible on behalf of the Bank for the preparation and fair presentation of the interim financial statements in accordance with clause 25 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible on behalf of the Bank for the preparation and presentation of the supplementary information which fairly states the matters required to be disclosed under Schedules 3, 5, 7, 13, 16 and 18 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 interim financial statements and the supplementary information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that:

- the interim financial statements (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 capital adequacy and regulatory liquidity requirements) does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

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

Restriction on use

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

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) Limited (the 'Bank') for the 6 months ended date 30 June 2023 included on the Bank's website. The Directors are responsible for the maintenance and integrity of the Bank's website. We have not been engaged to report on the integrity of the Banks'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.

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Independent Assurance Report

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

Limited assurance report on the information required on capital adequacy and regulatory liquidity requirements

Conclusion

We have undertaken a limited assurance engagement on Industrial and Commercial Bank of China New Zealand Limited's ('the Bank') compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) ('the Order') which require information prescribed in Schedule 9 of the Order relating to the capital adequacy and regulatory liquidity requirements 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 us to believe that the Bank's information relating to the capital adequacy and regulatory liquidity requirements disclosed in note 19 of the Disclosure Statement in compliance with clause 22 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 conducted our engagement in accordance with Standard on Assurance Engagements 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 for our conclusion.

Directors' Responsibility

The Directors of the Bank ('the Directors') are responsible on behalf of the Bank for compliance with the Order, including clause 22 of the Order which requires information relating to the capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Bank'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 Bank, our firm carried out a review of the Bank's interim financial statements and supplementary information (excluding supplementary information relating to capital adequacy and regulatory liquidity requirements). These services have not impaired our independence as independent auditors of the Bank. In addition to this, partners and employees of our firm deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. The firm has no other relationship with, or interest in, the Bank.

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 Bank's information relating to the capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 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 Bank's information relating to the capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 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 Bank, 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 22 of the Order in respect of the information relating to the capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement, our procedures included:

- Obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to the capital adequacy and regulatory liquidity requirements;
- Obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to the capital adequacy and regulatory liquidity requirements 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 the capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the interim financial statements; and
- Agreed the information relating to the capital adequacy and regulatory liquidity requirements disclosed in accordance with schedule 9 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 14 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 on the Bank's information relating to the capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 22 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 shareholder for the purpose of establishing that these compliance requirements have been met. Our work has been undertaken so that we might state to the shareholder 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 shareholder of the Bank 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