INDUSTRIAL AND COMMERCIAL BANK OF CHINA NEW ZEALAND BANKING GROUP

Disclosure Statement

For the year ended 31 December 2023

Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China Limited for the NZ Banking Group for the year ended 31 December 2023 in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

(a) "Overseas Bank", "Registered Bank" or "ICBC" means Industrial and Commercial Bank of China Limited, incorporated in China;

(b) "Overseas Banking Group" means the total worldwide business of ICBC including its controlled entities;

(c) "Branch" means the New Zealand Branch of the Overseas Bank;

(d) "ICBC (NZ)" means Industrial and Commercial Bank of China (New Zealand) Limited, the locally incorporated subsidiary of the Overseas Bank;

(e) "NZ Banking Group" means the New Zealand operations of the Overseas Bank comprising the Branch and ICBC (NZ);

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

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

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

The financial statements of the NZ Banking Group for the year ended 31 December 2023 form part of and should be read in conjunction with this Disclosure Statement.

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

The NZ Banking Group also is preparing its first Climate Statement in accordance with the Aotearoa New Zealand Climate Standards. We intend to publish the first Climate Statement at www.icbcnz.com by 30 April 2024.

Contents

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

Address for Service

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

(a) The registered address of ICBC is:

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

(b) Annual Report of ICBC

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

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

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

Nature of Business

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

Limits on Material Financial Support by the Overseas Bank

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

Subordination of Claims of Creditors

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

Requirement to Hold Excess Assets over Deposit Liabilities

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

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

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

Guarantee Arrangements

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

Directorate

Directors of the Overseas Bank

The Board of Directors of ICBC is ultimately responsible for the governance of the Branch. As at the date of this Disclosure Statement, the Directors of ICBC are as follows:

NON-INDEPENDENT DIRECTORS	
Name: Lin Liao(Chairman of the Board) Executive Director **Country of Residence:** China **Qualification:** Doctorate degree in Management Science	**External Directorships:** None
Name: Jingwu Wang Executive Director, Senior Executive Vice President, Chief Risk Officer **Country of Residence:** China **Qualification:** Doctorate degree in Economics	**External Directorships:** None
Name: Yongzhen Lu Non-executive Director **Country of Residence:** China **Qualification:** Doctorate degree in Economics, Bachelor’s degree and Master’s degree	**External Directorships:** None
Name: Weidong Feng Non-executive Director **Country of Residence:** China **Qualification:** Doctorate degree, Bachelor’s degree in Economics	**External Directorships:** None
Name: Liqun Cao Non-executive Director **Country of Residence:** China **Qualification:** Master's degree in Finance, Master's degree in Public Administration, Bachelor's degree in Law	**External Directorships:** None
Name: Yifang Chen Non-executive Director **Country of Residence:** China **Qualification:** Bachelor's degree in Economics	**External Directorships:** None
Name: Yang Dong Non-executive Director **Country of Residence:** China **Qualification:** Master’s degree in Management	**External Directorships:** None

INDEPENDENT DIRECTORS	
Name: Siu Shun Yang Independent Non-executive Director **Country of Residence:** China **Qualification:** Honorary Doctorate of Social Sciences	**External Directorships:** Member of the board of directors of the Hong Kong Jockey Club Independent Non-executive Director of Tencent Holdings Limited, Man Wah Holdings Limited and Xinyi Glass Holdings Limited
Name: Si Shen Independent Non-executive Director **Country of Residence:** China **Qualification:** EMBA, Master’s degree in Economics	**External Directorships:** None
Name: Fred Zuliu Hu Independent Non-executive Director **Country of Residence:** China **Qualification:** Master's degree and PhD in Economics, Master's degree in Engineering Science	**External Directorships:** Chairman of Primavera Capital Group, Non-executive Chairman of Yum China Holdings Inc., Director of UBS Group AG, Director of Taikang Insurance Group Co., Ltd, Co-chair of Nature Conservancy's Asia Pacific Council, Director of China Medical Board

Name: Norman Chan Tak Lam Independent Non-executive Director **Country of Residence:** China **Qualification:** Honorary Fellowship, Honorary Doctorate of Social Sciences, Honorary Doctorate of Business Administration	**External Directorships:** Chairman of the Board of Directors of RD Wallet Technologies Limited, Chairman of the Board of Directors of RD ezLink Limited, Chairman of HK Acquisition Corporation, Founding Chairman of Hong Kong Institute of Web 3.0, Chairman of the Board of Trustees of Chung Chi College of Chinese University of Hong Kong, vice Chairman of Chinese University of Hong Kong Council, Chairman of the Board of CUHK Innovation Limited.
Name: Herbert Walter Independent Non-executive Director **Country of Residence:** Germany **Qualification:** Master's degree in Business Administration and Doctorate in Political Science	**External Directorships:** Independent Non-executive member of the Supervisory Board of AKBANK AG.

Audit Committee of the Board of Directors

Members of the Audit Committee of the Board of Directors of the Overseas Bank at the date of this Disclosure Statement are:

Si Shen(Chairman)	Independent Non-executive Director
Weidong Feng	Non-executive Director
Liqun Cao	Non-executive Director
Siu Shun Yang	Independent Non-executive Director
Fred Zuliu Hu	Independent Non-executive Director
Norman Chan Tak Lam	Independent Non-executive Director
Herbert Walter	Independent Non-executive Director

New Zealand Acting Chief Executive Officer

Bin Liu
Acting Chief Executive Officer
Master of Arts in Economics
Auckland, New Zealand

Directorships:
ICBC (NZ)

Responsible Person

Each of the current directors of the Board of the Overseas Bank named above have authorised Bin Liu (being the New Zealand Acting Chief Executive of the Branch) in writing to sign this Disclosure Statement on their behalf in accordance with section 82 of the Banking (Prudential Supervision) Act 1989.

Address for Communications

Any document or communication may be sent to any Director, the New Zealand Chief Executive Officer of the Branch or the Responsible Person at HSBC Tower, Level 11, 188 Quay Street, Auckland 1010, New Zealand. The document or communication should be marked for the attention of the relevant Director, the New Zealand Chief Executive Officer of the Branch or the Responsible Person.

Policy for Avoiding and Dealing with Conflicts of Interest

The Board is responsible for ensuring actual and potential conflicts of interest between the Directors’ duty to the Overseas Bank and their personal, professional or business interests are avoided or dealt with.

Accordingly, each Director must:

(a) disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist as soon as the situation arises.

(b) abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The resolution of the Board of Directors that approves the proposed matter shall be passed by a majority of the Directors have no material interest, and the Board will determine whether or not the Director declaring a conflict should remain present when the Board discusses matters about which the conflict relates.

Interested Party Transactions

There have been no transactions which any Director, or the New Zealand Chief Executive Officer, or immediate relative or close business associate of any Director or the Chief Executive Officer, with the NZ Banking Group that either:

- have been entered into on terms other than those which would, in the ordinary course of business of the NZ Banking Group, be given to any person of like circumstances or means;

- could otherwise be reasonably likely to influence materially the exercise of that Director's or the NZ Chief Executive Officer's duties.

Information pertaining to loans to and other transactions with Directors is disclosed in note 28 of this Disclosure Statement.

Auditor

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   For the purposes of this condition of registration,—

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

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

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.

4. That no appointment to the position of the New Zealand Chief Executive Officer of the registered bank shall be made unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

5. That Industrial and Commercial Bank of China Limited complies with the requirements imposed on it by the China Banking and Insurance Regulatory Commission.

6. That, with reference to the following table, each capital adequacy ratio of Industrial and Commercial Bank of China Limited must be equal to or greater than the applicable minimum requirement.

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

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

(a) must be calculated as a percentage of the registered bank's risk weighted assets; and

(b) are otherwise as administered by China Banking and Insurance Regulatory Commission.

7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ$15 billion.

8. The registered bank may only undertake wholesale business in New Zealand – that is, business transacted with "wholesale investors" defined under the Financial Market Conduct Act 2013 (Clause 3(2), Schedule 1).

9. That any derivative contracts entered into by the registered bank in New Zealand may only be for the purposes of hedging a customer's positions with the registered bank, or the registered bank's own risk positions.

10. That the New Zealand assets of the registered bank do not exceed the consolidated total assets of Industrial and Commercial Bank of China (New Zealand) Limited and its subsidiaries.

In these conditions of registration,—

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

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

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

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

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC Rating Information

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

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's Global Ratings	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	Negative	Stable	Stable

Rating movement history

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

On 6 December 2023, Moody's Investors Service affirmed the ICBC's A1 long-term deposit rating and P-1 short-term deposit rating. Moody's has changed ICBC' outlooks to negative from stable following the agency's affirmation of the Government of China's issuer rating at A1 and change in the outlook to negative from stable.

On 9 November 2023, Fitch Ratings affirmed ICBC's a long term credit rating and F1+ short term issuer default rating.

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

Rating Information

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

Fitch Ratings Ltd.	Standard & Poor's Global Ratings	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.

Historical Summary of Financial Statements

Thousands of dollars	31 December 2023 12 mths	31 December 2022 12 mths	31 December 2021 12 mths	31 December 2020 12 mths	31 December 2019 12 mths
Income Statement					
Interest Income	267,053	140,853	74,965	83,334	79,133
Interest Expense	(191,816)	(81,127)	(25,988)	(48,847)	(42,840)
Net Interest Income	75,237	59,726	48,977	34,487	36,293
Net gains/(losses) on financial instruments at fair value through P&L	2,735	(5,347)	9,974	123	12,804
Fees and other income/(losses)	3,261	4,211	(13,642)	1,217	(11,068)
Total operating income	81,233	58,590	45,309	35,827	38,029
Operating expenses	(24,126)	(21,302)	(19,540)	(18,756)	(17,087)
Impairment provisioning on financial assets	(11,492)	(2,245)	(2,592)	14,919	(10,631)
Net profit/(loss) before taxation	45,615	35,043	23,177	31,990	10,311
Taxation expense	(12,849)	(9,872)	(6,531)	(9,016)	(2,946)
Net profit/(loss) after taxation	32,766	25,171	16,646	22,974	7,365
Net profit or loss attributable to non-controlling interests	-	-	-	-	-
Total amount of Branch profits repatriated	-	-	-	-	-
Significant balance sheet items					
Total Assets	4,312,741	3,625,347	3,434,842	2,281,516	2,135,815
Total Liabilities	3,884,895	3,230,267	3,064,933	2,024,467	1,901,740
Total Head Office Account and Equity	427,846	395,080	369,909	257,049	234,075
Asset Quality					
Individually Impaired Assets	1,410	1,445	5,436	8,492	35,397

Historical summary data shown above are extracted from audited financial statements.

Other Material Matters

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

Directors' and New Zealand Chief Executive Officer's Statements

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

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

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

2. During the year ended 31 December 2023:

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

This Disclosure Statement is dated 27 March 2024 and has been signed by Bin Liu as the New Zealand Acting Chief Executive Officer and as agent authorised in writing by each director of Overseas Bank.

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Bin Liu
New Zealand Acting Chief Executive Officer

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China NZ Banking Group

Financial Statements for the year ended 31 December 2023

Contents

STATEMENT OF COMPREHENSIVE INCOME

Thousands of dollars	Note	Audited 31 December 2023	Audited 31 December 2022
Interest Income*	2	267,053	140,853
Interest Expense*	2	(191,816)	(81,127)
Net interest income/(expenses)		**75,237**	**59,726**
Net (losses)/gains on financial instruments at fair value through P&L	3	2,735	(5,347)
Net fees and other Income	4	3,261	4,211
Total operating income		**81,233**	**58,590**
Operating expenses	5	(24,126)	(21,302)
Impairment provisioning on financial assets	6	(11,492)	(2,245)
Net profit before taxation		**45,615**	**35,043**
Taxation expense	7	(12,849)	(9,872)
Net profit after taxation		**32,766**	**25,171**
Other comprehensive income		-	-
Total comprehensive income		**32,766**	**25,171**

*All interest income and interest expense are calculated using the effective interest method.
The accounting policies and other notes (1-37) form part of, and should be read in conjunction with, these Financial Statements.

Deloitte.
for Identification

Statement of Changes in Equity

		Branch's Head Office Account		Other members of the NZ Banking Group		
Thousands of dollars	Note	Branch Capital	Retained Earnings	Share Capital	Retained Earnings	Total
For the year ended 31 December 2023 (audited)						
Balance at 31 December 2022		84,000	12,898	233,540	64,642	395,080
Capital injection from shareholders		-	-	-	-	-
Net profit and other comprehensive income for the year		-	13,936	-	18,830	32,766
Total equity movement for the year		-	13,936	-	18,830	32,766
Balance at 31 December 2023	25,26	84,000	26,834	233,540	83,472	427,846
For the year ended 31 December 2022 (audited)						
Balance at 31 December 2021		84,000	4,476	233,540	47,893	369,909
Capital injection from shareholders		-	-	-	-	-
Net profit and other comprehensive income for the year		-	8,422	-	16,749	25,171
Total equity movement for the year	25,26	-	8,422	-	16,749	25,171
Balance at 31 December 2022	25,26	84,000	12,898	233,540	64,642	395,080

The accounting policies and other notes (1-37) form part of, and should be read in conjunction with, these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

Thousands of dollars	Note	Audited 31 December 2023	Audited 31 December 2022
Assets			
Cash, cash equivalents and balances with central banks	9	663,142	376,876
Amounts due from related parties	21	7,815	-
Due from banks and other financial institutions	10	29,999	40,000
Investment securities	12	232,522	188,726
Derivative financial assets	11,14	4,771	4,617
Loans and advances to customers	13,27	3,336,303	2,985,468
Right-of-use assets	17	5,178	6,424
Property, plant and equipment	16	960	1,002
Deferred tax assets	8	9,800	6,888
Other assets	18	22,251	15,346
Total assets		**4,312,741**	**3,625,347**
Liabilities			
Due to central banks and other financial institutions	19	1	1
Amounts due to related parties	20	2,389,815	1,825,901
Derivative financial liabilities	11,14	11,726	11,112
Deposits from customers	21	700,492	565,721
Certificates of deposit	22	106,057	265,459
Subordinated loans due to related parties	23	-	35,000
Debt securities issued	22	599,732	475,180
Lease liabilities	17	5,761	7,033
Current tax liabilities	8	8,900	4,722
Other liabilities	24	62,411	40,138
Total liabilities		**3,884,895**	**3,230,267**
Branch's Head office account			
Branch capital	25	84,000	84,000
Retained earnings	25	26,834	12,898
Other members of NZ Banking Group's equity			
Share capital	26	233,540	233,540
Retained earnings	26	83,472	64,642
Total NZ Banking Group's equity		427,846	395,080
Total NZ Banking Group's equity and liabilities		**4,312,741**	**3,625,347**
Total interest earning and discount bearing assets	29	4,254,425	3,596,830
Total interest and discount bearing liabilities	30	3,753,093	3,115,942
Total liabilities of the Branch, net of amounts due to related parties		70,239	187,786

The accounting policies and other notes (1-37) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 27 March 2024 and are signed on their behalf by:

Bin Liu
New Zealand Acting Chief Executive Officer

Statement of Cash Flows

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Cash flows applied to operating activities		
Interest income	254,991	133,882
Other income	6,461	2,267
Interest expense	(165,709)	(57,953)
Long-term lease payments	(1,695)	(1,505)
Variable lease	(15)	(8)
Personnel expenses	(17,512)	(15,329)
Other operating expenses`	(4,511)	(5,433)
Taxes paid	(11,583)	(8,897)
Net cash flows receipt from operating activities before changes in operating assets and liabilities	**60,427**	**47,024**
Changes in operating assets and liabilities arising from cash flow movements:		
(Increase)/decrease in loans and advances to customers	(360,388)	(418,760)
Increase/(decrease) in deposits from customers	134,771	(35,020)
Increase/(decrease) in amounts due to related parties	565,058	220,980
Increase/(decrease) in other liabilities	(122)	469
(Increase)/decrease in amounts due from related parties	(7,815)	207,360
Increase/(decrease) in certificates of deposit	(159,402)	7,636
Net change in operating assets and liabilities	**172,102**	**(17,335)**
Net cash flows receipt from operating activities	**232,529**	**29,689**
Cash flows applied to investing activities		
Purchase of property, plant and equipment	(306)	(682)
Purchase of intangible assets	-	-
Purchase of investment securities	(83,491)	(12,354)
Proceeds from maturity of financial securities	39,265	17,354
Net cash flows (applied)/received to investing activities	(44,532)	4,318
Cash flows applied to financing activities		
Capital injection from shareholders	-	-
Receipts/(payments) from subordinated loans due to related parties	(35,000)	(35,000)
Receipts from issuance of debt securities	124,845	174,842
Repayments of debt securities issued	(432)	(235,512)
Net cash flows received/(applied) to financing activities	89,413	(95,670)
Increase/(decrease) in cash and cash equivalents	277,410	(61,663)
Cash and cash equivalents at beginning of year	355,974	417,637
Cash and cash equivalents	**633,384**	**355,974**
Cash and cash equivalents at end of year comprised:		
Cash, cash equivalents and balances with central banks	663,142	376,876
Due from banks and other institutions classified as cash equivalents	30,000	40,000
Due to central banks and other financial institutions classified as cash and cash equivalents	(1)	(1)
Amount due to related parties classified as cash and cash equivalents	(59,757)	(60,901)
Total cash and cash equivalents	**633,384**	**355,974**

The accounting policies and other notes (1-37) form part of, and should be read in conjunction with, these Financial Statements.

Deloitte. for Identification

Statement Of Cash Flows (continued)

Thousands of Dollars	Audited 31 December 2023	Audited 31 December 2022
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net profit after taxation	**32,766**	**25,171**
Non cash movements:		
Unrealised fair value adjustments	(3,893)	3,414
Depreciation	348	269
Amortisation of intangibles	-	2
Amortisation of Right-of-use assets	1,529	1,426
Amortisation of financial instruments	405	504
Gain/loss on modification of lease contracts	-	1
Increase/(decrease) in allowance for impairment losses	14,641	(608)
Loss on written-off financial assets	-	2,858
Bad debts recovery	(3,149)	(5)
Unrealised foreign exchange gain/(loss)	4,358	(10)
(Increase)/decrease in deferred taxation	(2,912)	(497)
Amortisation of debt securities issued	135	(161)
Increase/(decrease) in operating assets and liabilities	**11,462**	**7,193**
(Increase)/decrease in interest receivable	(7,784)	(7,330)
(Decrease)/increase in interest payable	21,848	22,159
(Increase)/decrease in loans and advances to customers	(360,388)	(418,760)
Increase/(decrease) in deposits from customers	134,771	(35,020)
Increase/(decrease) in certificates of deposit	(159,402)	7,636
(Decrease)/increase in lease liabilities	(1,556)	(1,346)
Increase/(decrease) in other liabilities	(1,488)	173
Increase/(decrease) in amounts due to related parties	565,058	220,980
(Increase)/decrease in current taxation	4,178	1,471
(Increase)/decrease in other assets	879	2
(Increase)/decrease in amounts due from related parties	(7,815)	207,360
Net cash flows received from operating activities	**232,529**	**29,689**

The accounting policies and other notes (1-37) form part of, and should be read in conjunction with, these Financial Statements.

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2023 (audited)

			Non-cash changes		
Thousands of Dollars	**Balance at the beginning of the year**	**Net Cash flow**	**Amortisation**	**Foreign Exchange movement**	**31 December 2023**
Subordinated loans due to related parties	35,000	(35,000)	-	-	-
Debt securities issued	475,180	124,413	135	4	599,732
Total liabilities from financing activities	510,180	89,413	135	4	599,732

For the year ended 31 December 2022 (audited)

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

Note 1 – Accounting Policies

(1) Reporting Entity

This Disclosure Statement has been issued by Industrial and Commercial Bank of China Limited for the NZ Banking Group ("NZ Banking Group") for the year ended 31 December 2023 in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). The reporting group is the NZ Banking Group which is an aggregation of the Branch and Industrial and Commercial Bank of China (New Zealand) Limited, a locally incorporated subsidiary of Industrial and Commercial Bank of China Limited. The NZ Banking Group operations began on 18 May 2020.

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended). They were approved for issue by the Board of Directors of the Overseas Bank (the "Board") on 27 March 2024.

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

(2) Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to the International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with the International Financial Reporting Standards.

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

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

(3) Basis of Aggregation

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

(4) Presentation Currency

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

(5) Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. Management is required to make judgements 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, judgements 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 reliably measured, actual amounts may differ from those estimates.

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

Note 1 – Accounting Policies (continued)

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

The NZ Banking Group has introduced a new model for ECL for secured retail loans. The NZ Banking Group benchmarks ECL and then adjusts Significant Increased Credit Risk (SICR) factors that are specific to the NZ Banking Group. The NZ Banking Group then applies judgement to assess the reasonableness of the modeled outcomes.

The NZ Banking Group uses a global ECL model for corporate loans. This model has been updated for 2023. The corporate ECL model uses data, such as default data, from a range of sources. Macro-economic scenarios are applied to model a range of future outcomes. The Bank then applies judgement to assess the reasonableness of the modeled outcomes.

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

<u>Deferred Taxation</u>
Based on the latest forecast, the future taxable profits are in excess of the gross balance of the deductible temporary differences as at 31 December 2023.

(6) Summary of material accounting policies
The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated, and noted in (o) “change in accounting policy” below.

(a) Foreign currency translation
Foreign currency transactions are translated into the functional currency (NZD) using the exchange rates prevailing at the date of the transaction or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated into NZD at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the profit or loss.

(b) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the NZ Banking Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income and expense
For all financial instruments measured at amortised cost and interest-generating financial instruments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the NZ Banking Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset or a book of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Lending Fees
Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

(iii) Commission and Other Fees
The NZ Banking Group earns fee and commission income from a diverse range of services it provides to its customers. Fees arising from commission, asset management, custody and other management advisory services are recognised on the basis of when the transaction is completed or on an accrual basis when the service is provided over a period of time.

(iv) Payment and services fee
Fees arising from providing settlement and clearing transactions. Fees are recognised on completion of the transaction.

(v) Derivative financial instruments
Realised and unrealised gains and losses from re-measurement of financial instruments at fair value through profit or loss are disclosed separately in the profit and loss.

Note 1 – Accounting Policies (continued)

(c) Expense recognition
All other expenses, excluding interest expense, are recognised in the statement of comprehensive income on an accrual basis.

(d) Classification and Measurement of Financial Assets and Financial Liabilities

Classification
Financial assets include items such as cash and cash equivalents and balances with central banks, due from banks and other financial institutions, financial assets at fair value through profit or loss, loans and receivables, and investment securities.

According to NZ IFRS 9, financial assets are classified into the following categories:

- Those to be measured at amortised cost; and
- Those to be measured at fair value through profit or loss.

The classification depends on the NZ Banking Group's business model for managing financial assets and the contractual characteristics of financial asset. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets measured at amortised cost
A financial asset is measured at amortised cost only if it meets both the following conditions:

- Business model objective: financial assets held in order to collect contractual cash flows; and
- Contractual cash flow characteristics: solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value plus direct attributable transaction costs and subsequently measured at amortised cost. Financial assets measured at amortised cost include:

Cash, cash equivalents and balances with central banks
Cash, cash equivalents, and balances with central banks include cash and cash at bank, settlement account balance with central bank and other financial institutions, cash in transit, bank overdrafts.

Due from banks and other financial institutions
Due from banks and other financial institutions includes term deposits with other financial institutions.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the NZ Banking Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for expected credit losses ("ECL"). Gains and losses are recognised in the profit or loss when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the NZ Banking Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Investment securities
Investments securities are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the NZ Banking Group has the positive intention and ability to hold to maturity, and which are not designated as financial assets measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Investment securities are measured at amortised cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the profit or loss when the investment securities are derecognised or impaired, as well as through the amortisation process. All the financial investments are bond investments.

(ii) Financial assets measured at fair value through profit and loss
A financial asset is measured at fair value through profit and loss if it does not meet the amortised cost criteria. Financial assets held at fair value through profit or loss are initially recognised at fair value, with transaction costs being recognised in the profit or loss as incurred. Subsequently, they are measured at fair value with gains and losses recognised in the profit or loss as they arise.

Where a financial asset is held at fair value, the movement in fair value attributable to interest rate market movements is either an observable market value or calculated based on changes in observable market interest rates for swaps. The movement in fair value attributable to changes in credit risk is established through a statistical-based calculation to estimate expected losses attributable to adverse movements in credit risk.

Note 1 – Accounting Policies (continued)

Assets in this category are either held for trading or designated at fair value through profit or loss at inception. A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(a) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or from recognising the gains and losses on them on different bases;
(b) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or
(c) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss. Financial assets designated at fair value through profit or loss might include debt securities and other debt instruments. Financial liabilities designated at fair value through profit or loss might include wealth management products, structured deposits, notes payable, and certificates of deposit.

These assets are measured at fair value after initial recognition. Realised and unrealised income or expenses are recognised in the profit or loss.

Derivative assets
Derivative instruments are contracts whose value is derived from one or more underlying variables such as a special interest rate or index as defined in the contract. Derivative assets are measured at fair value through profit or loss.

(iii) Financial liabilities held at amortised cost
This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost and include:

Due to central banks and other financial institutions/Amount due to related parties
This represents amounts due to other banks, apart from those designated as at fair value through profit or loss.

Deposits from customers
Deposits from customers cover all forms of funding, apart from those classified as at fair value through profit or loss and include transactional and savings accounts, term deposits and credit balances on cards.

Other liabilities
Other liabilities include the accrual of interest coupons and fees payable. For derivatives, any accrued interest is recognised and measured as part of the derivative's fair value.

Debt Securities Issued/Certificates of deposit
Debt Securities Issued is recognised in the balance sheet including accrued interest. When fair value hedge accounting is applied to fixed rate debt securities issued, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Transaction cost, specifically debt issue costs, include costs incurred directly attributable to the issuance of the debt, such as legal costs and lead manager fee.

(iv) Financial liabilities at fair value through profit or loss
Liabilities in this category are either held for trading or designated at fair value through the profit or loss at inception. A financial liability is classified in this category if entered into principally for the purpose of selling in the short-term, if it eliminates an accounting mismatch or if it is managed by the NZ Banking Group on a fair value basis.

Derivative liabilities that do not meet the criteria for hedge accounting are classified as held for trading and measured at fair value through profit or loss.

Derivative liabilities
Derivative instruments are contracts whose value is derived from one or more underlying variables such as a special interest rate or index as defined in the contract. Derivative liabilities are measured at fair value through profit or loss.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

Note 1 – Accounting Policies (continued)

- The rights to receive cash flows from the asset have expired; or
- The NZ Banking Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the NZ Banking Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the NZ Banking Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the NZ Banking Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the NZ Banking Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the NZ Banking Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Derivative financial instruments

The NZ Banking Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(e) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the NZ Banking Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(f) Asset quality
The NZ Banking Group recognises loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- cash and cash equivalent;
- due from banks and other financial instruments;
- investment securities;
- loans and receivables; and
- loan commitments and financial guarantee contracts.
-

The NZ Banking Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Measurement of ECL
The expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. ECLs are measured over two different time horizons, depending on whether the credit risk of the financial assets has increased significantly since the exposure was first recognised:

- 12-month ECLs (Stage 1), which apply to the financial assets of which the credit risk does not increase significantly in current classification period comparing with the initial judgement;

Note 1 – Accounting Policies (continued)

12-month ECLs are defined as a portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. The standard explains further that the 12-month ECLs are a portion of the lifetime ECLs that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

– Lifetime ECLs (Stages 2 and 3), which apply to financial assets of which the credit risk does increase significantly in current classification period comparing with the initial judgement (Stage 2) or with objective impairment evidence (Stage 3).

  Lifetime ECLs are the losses that result from all possible default events over the expected life of a financial instrument. The Bank needs to estimate the risk of a default occurring on the financial instrument during its expected life.

ECLs are a probability-weighted estimate of the present value of cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of a default occurring used as the weights). The NZ Banking Group's approach leveraged the existing processes for the NZ Banking Group's loan portfolios that use the existing Internal Rating based and behavioural credit models. NZ IFRS 9 considers the calculation of ECL by multiplying the Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”):

Probability of Default (“PD”) –This is an estimate of the likelihood of default over a given time horizon (e.g. 12 months or lifetime). PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. PD is adjusted based on the results of the Internal Ratings-Based Approach, taking the forward-looking information into account to reflect the debtor’s point-in-time (“PIT”) PD under the current macroeconomic environment.

Loss Given Default (“LGD”) –This is an estimate of the loss arising on default. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals.

Exposure at Default (“EAD”) –This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

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. Each parameter is calibrated to reflect current and future macro- and micro- economic conditions and obligor-specific considerations.

The NZ Banking Group has reviewed its ECL model, updated the macroeconomic indicators and associated forward-looking factors and other data. The NZ Banking Group has introduced a new model for ECL for secured retail loans, details refer to page 20 and 25.

Criteria for determining significant increase in credit risk
At each reporting date, the NZ Banking Group assesses whether or not the credit risk of the financial assets it holds has increased significantly since the initial recognition. The NZ Banking Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main consideration includes:

– regulatory and operating environment;
– internal and external credit risk gradings;
– debt-serving capacity, operating capabilities;
– contractual terms;
– contractual repayments overdue for more than 30 days.

The NZ Banking Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the reporting date to the risk of default at initial recognition to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments.

Credit-impaired financial assets
At each reporting date, the NZ Banking Group assesses whether financial assets carried at amortised cost are credit-impaired (referred to as “Stage 3 financial assets”). A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;
– the restructuring of a loan or advance by the NZ Banking Group on terms that the NZ Banking Group would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Note 1 – Accounting Policies (continued)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the NZ Banking Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Forward-looking information
NZ IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since initial recognition. The NZ Banking Group is using three scenarios that are probability weighted to determine ECL. For retail loans the benchmarks include scenarios, the NZ Banking Group then applies judgement to the appropriateness to the modelled outcomes after considering its specific portfolio risk and the current and future economic environment.

The NZ Banking Group's ECL allowance methodology, requires the NZ Banking Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as other financial liabilities;

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the NZ Banking Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the NZ Banking Group's procedures for recovery of amounts due.

Measurement of impairment
Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Reversal of impairment
If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

(g) Property, Plant and Equipment
Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment are as follows:

Classification	Estimated Useful Life	Estimated Residual Value	Annual Depreciation Rate
Office equipment, furniture and fittings	5 years	-	20%
Computer hardware	3 years	-	33.3%
Leasehold improvements	Lesser of 5 years or the remaining term of the lease	-	20%

Note 1 – Accounting Policies (continued)

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment losses.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial period end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

(h) Taxation
Income tax comprises current and deferred income tax. Income tax is recognised in the profit or loss except when it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

(ii) Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(i) Contingent liabilities and credit commitments
A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NZ Banking Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

The NZ Banking Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation. They are disclosed as contingent liabilities at their face value.

(j) Leases
The NZ Banking Group leases many assets, including properties, motor vehicles, and office equipment.

The NZ Banking Group recognises right-of-use assets and lease liabilities for most leases on balance sheet. However, the NZ Banking Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (less than 12 months). In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases.

Note 1 – Accounting Policies (continued)

The right-of-use assets is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be reality determined, the NZ Banking Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability, and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(k) Share capital

(i) Share issue costs
Issued and paid up share capital is recognised at the fair value of the consideration received by the NZ Banking Group. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Dividend distribution
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the NZ Banking Group's shareholders. Dividends for the year that are declared after the balance sheet date are addressed in the subsequent events note (if applicable).

(ii) Branch capital
The Branch's working capital is interest free and will be repayable at the discretion of the Branch.

(l) Goods and Services Tax ("GST")
The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable from the IRD. In these circumstances the GST component is recognised as part of the underlying item. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the IRD is included within these categories.

(m) Employee Benefits
Employee benefits refer to all forms of consideration and other related expenditure given by the NZ Banking Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the NZ Banking Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the NZ Banking Group will present them at their present value. The employee benefits in the financial statements are incurred by ICBC (NZ), who employs all staff.

(n) Change in Accounting Policies
Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2022.

The NZ Banking Group has applied, where relevant, all new or revised accounting standards and interpretations effective for the year ended 31 December 2023, that these did not have a material impact on the financial statements.

(o) NZ IFRS Accounting Standards Issued but Not Yet Effective
The new Standards and amendments to existing standards are not expected to have a material impact on the Bank preparing the financial statements.

(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 Comprehensive Income, Statement of Cash Flows, and Note 2 as at 31 December 2022.

Note 2 – Interest Income and Interest Expense

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Interest Income		
Loans and advances to customers	236,374	127,976
Government and local authority securities	16,896	5,604
Due from other financial institutions	5,974	1,564
Amounts due from related parties	661	740
Other securities	7,031	4,939
Cash and liquid assets	117	30
Total interest income	267,053	140,853
Interest expense		
Deposits from customers	31,994	13,351
Debt securities issued	37,710	24,051
Amounts due to related parties	117,987	42,550
Lease liabilities	140	158
Losses from derivative	3,984	1,017
Other interest expenses	1	-
Total interest expense	191,816	81,127

Note 3 – Net Gains/(Losses) on Financial Instruments at Fair Value through Profit or Loss

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Derivative financial instruments	2,735	(5,347)
Total net gains/(losses) on financial instruments at fair value through profit or loss	2,735	(5,347)

Note 4 – Fees and Other Income

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Commission and other fee income	526	188
Payment services fee income	818	534
Net foreign exchange gains	1,917	3,489
Total other income	3,261	4,211

Note 5 – Operating Expenses

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Auditor's remuneration:		
Audit of financial statements	262	265
Review of financial statements	66	40
Other assurance services	15	-
Fees paid to auditors	343	305
Amortisation and Depreciation:		
Computer hardware	182	106
Office equipment	8	7
Furniture, fittings, and leasehold improvements	158	156
Amortisation of intangible assets	-	2
Total amortisation and depreciation	348	271
Employee benefits:		
Wages and salaries	15,552	13,649
Kiwi Saver Contribution	103	140
Other Employment-Related Expenses	635	417
Total employee benefits	16,290	14,206
Lease expenses:		
Amortisation of Right-of-use assets	1,529	1,426
Variable lease payments	15	8
Total lease expenses	1,544	1,434
Other expenses:		
Tax advisory services	135	72
Donations	-	3
Directors' fees	340	340
Professional consulting fee	773	603
Building occupation costs	461	421
Promotion and marketing costs	557	406
Membership fee	180	192
Other operating expenses	3,155	3,049
Total other expenses	5,601	5,086
Total operating expenses	24,126	21,302

Note 6 – Impairment Allowance

Audited 31 December 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	Amounts due from related parties	Total as at 31 December 2023
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	344	20,577	105	1	2,799	-	23,826
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	1,922	3,439	-	-	766	-	6,127
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) - Individual	-	774	-	-	-	-	-	774
Balance as at 31 December 2023	-	3,040	24,016	105	1	3,565	-	30,727

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	Amounts due from related parties	Total as at 31 December 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	2,677	10,336	80	-	1,652	-	14,745
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	420	-	-	-	-	-	420
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - Individual	17	904	-	-	-	-	-	921
Balance as at 31 December 2022	17	4,001	10,336	80	-	1,652	-	16,086

Note 6 – Impairment Allowance (continued)

Movement in provision for credit impairment	Audited 31 December 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	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	(469)	469	-	-	-
Transfer to stage 3	-	(420)	-	420	-
Charge/(recovery) to statement of comprehensive income in current year	(1,864)	1,453	-	(550)	(961)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	344	1,922	-	774	3,040
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/(recovery) to statement of comprehensive income in current year	-	-	-	(17)	(17)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	-	-	-	-	-
Corporate and institutional					
Balance at beginning of period	10,336	-	-	-	10,336
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(3,439)	3,439	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	13,680	-	-	(3,149)	10,531
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Balance as at 31 December 2023	20,577	3,439	-	-	24,016
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/(recovery) to statement of comprehensive income in current year	25	-	-	-	25
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	105	-	-	-	105

Note 6 – Impairment Allowance (continued)

	Audited 31 December 2023				
Movement in provision for credit impairment	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	1	-	-	-	1
Amount due from related parties					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,652	-	-	-	1,652
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(766)	766	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	1,913	-	-	-	1,913
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023*	2,799	766	-	-	3,565
Total Balance at beginning of period	14,745	420	-	921	16,086
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(4,674)	4,674	-	-	-
Transfer to stage 3	-	(420)	-	420	-
Charge/(recovery) to statement of comprehensive income in current year	13,755	1,453	-	(3,716)	11,492
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Total Balance as at 31 December 2023	23,826	6,127	-	774	30,727

*The provision for loan commitments and financial guarantee contracts is included in other liabilities (note 24).

Note 6 – Impairment Allowance (continued)

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

Note 6 – Impairment Allowance (continued)

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

*The provision for loan commitments and financial guarantee contracts is included in other liabilities (Note 24).

Note 6 – Impairment Allowance (CONTINUED)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 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)	119,829	-	-	(1,106)	118,723
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(98,269)	98,269	-	-	-
Transfer to stage 3	-	(1,088)	-	1,088	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	582,126	98,269	-	1,410	681,805
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	4	-	-	17	21
Net drawdown/(repayment)	(2)	-	-	(17)	(19)
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 2023	2	-	-	-	2
Corporate and institutional					
Balance at beginning of period	2,436,719	-	-	-	2,436,719
Net drawdown/(repayment)	244,833	-	-	(3,149)	241,684
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(181,722)	181,722	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Balance as at 31 December 2023	2,499,830	181,722	-	-	2,681,552
Investment securities					
Balance at beginning of period	188,806	-	-	-	188,806
Net purchase/(disposal)	43,821	-	-	-	43,821
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 2023	232,627	-	-	-	232,627

Note 6 – Impairment Allowance (CONTINUED)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 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)	(10,000)	-	-	-	(10,000)
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 2023	30,000	-	-	-	30,000
Amount due from related parties					
Balance at beginning of period	-	-	-	-	-
Net drawdown/(repayment)	7,815	-	-	-	7,815
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 2023	7,815	-	-	-	7,815
Total Balance at beginning of period	3,226,095	1,088	-	1,445	3,228,628
Net drawdown/(repayment)	406,296	-	-	(4,272)	402,024
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(279,991)	279,991	-	-	-
Transfer to stage 3	-	(1,088)	-	1,088	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Total Balance as at 31 December 2023	3,352,400	279,991	-	1,410	3,633,801
Commitments and financial guarantee contracts					
Balance at beginning of period	1,242,813	-	-	-	1,242,813
Net increase/(decrease) facilities	362,311	-	-	-	362,311
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(27,693)	27,693	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2023	1,577,431	27,693	-	-	1,605,124

Note 6 – 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	2,060,804	-	-	5,211	2,066,015
Net drawdown/(repayment)	375,915	-	-	(2,353)	373,562
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	2,436,719	-	-	-	2,436,719
Investment securities					
Balance at beginning of period	194,318	-	-	-	194,318
Net purchase/(disposal)	(5,512)	-	-	-	(5,512)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	188,806	-	-	-	188,806

Note 6 – 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
Amount due from related parties					
Balance at beginning of period	207,360	-	-	-	207,360
Net drawdown/(repayment)	(207,360)	-	-	-	(207,360)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	-	-	-	-	-
Total Balance at beginning of period	3,128,546	1,611	-	5,436	3,135,593
Net drawdown/(repayment)	99,840	-	-	(3,952)	95,888
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(1,088)	1,088	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	5	5
Total Balance as at 31 December 2022	3,226,095	1,088	-	1,445	3,228,628
Commitments and financial guarantee contracts					
Balance at beginning of period	864,897	-	-	-	864,897
Net increase/(decrease) facilities	337,916	-	-	-	337,916
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2022	1,242,813	-	-	-	1,242,813

Note 7 – Taxation

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Net profit before taxation	45,615	35,043
Tax calculated at a tax rate of 28%	12,772	9,812
(Under)/over provision from prior period	-	10
Temporary differences not previously recognised	-	-
Utilisation of tax losses previously unrecognised	-	-
Other permanent differences	77	50
Taxation charge as per the statement of comprehensive income	12,849	9,872
Represented by:		
Current tax	15,761	10,369
Deferred tax	(2,912)	(497)
Taxation charge as per the statement of comprehensive income	12,849	9,872
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:		
Employee entitlements	92	279
Accelerated depreciation	163	(155)
Allowances for impairment losses	(4,105)	175
Other provisions and accruals	5	166
Other temporary differences	933	(962)
Amortisation of intangibles	-	-
Recognised tax losses		
Total temporary differences	(2,912)	(497)

Imputation credits

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Balances available for use in subsequent reporting periods		
Imputation credit account	38,835	31,266

The above amount represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credit account that will arise from the payment of the amount of the provision for income tax.

Note 8 – Current and Deferred Taxation

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Current income tax (payable)/receivable		
Balance at beginning of the year	(4,722)	(3,250)
(Under)/over provision from prior period	19	(10)
Transfer from/(to) deferred tax	-	-
Current Year Tax charge	(15,780)	(10,359)
Refundable Tax credits	-	-
Tax paid in current year	11,583	8,897
Balance at end of the year	(8,900)	(4,722)
Deferred tax		
Balance at beginning of the year	6,888	6,391
Impact of initial adoption of NZ IFRS 9	-	-
Under/(over) provision from prior period	(19)	
Temporary differences for the year	2,931	497
Balance at end of the year	9,800	6,888
Deferred tax assets		
Employee entitlements	263	355
Accelerated depreciation	196	359
Other provisions and accruals	24	30
Other temporary differences	714	1,646
Allowance for loan impairment	8,603	4,498
Total deferred tax assets	9,800	6,888
Deferred tax liabilities		
Accelerated depreciation	-	-
Other temporary differences	-	-
Intangible assets	-	-
Total deferred tax liabilities	-	-
Net deferred taxation	9,800	6,888

These tax benefits relate solely to temporary differences and are only available to the NZ Banking Group if the income tax legislation's requirements are met, and the Banking Group continues to remain profitable.

Note 9 – Cash, Cash Equivalents and Balances with Central Banks

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Cash on hand	-	-
Cash with central banks	609,671	355,471
Call and overnight advances to financial institutions	53,471	21,405
Total cash and cash equivalents	663,142	376,876

Note 10 – Due from Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
NZ Registered Banks	29,999	40,000
Overseas Registered Banks	-	-
Other	-	-
Total amount due from other financial institutions	29,999	40,000
Current	29,999	40,000
Non-Current	-	-

Note 11 – Offsetting financial assets and financial liabilities

The NZ Banking Group does not offset its financial assets and financial liabilities in the balance sheet.

Derivative assets and liabilities

Derivative financial instrument contracts are typically subject to International Swaps and Derivatives Association("ISDA") master netting agreements.

Audited 31 December 2023 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments not offset	Net Amount
Financial Assets			
Derivative financial instruments	4,771	(1,761)	3,010
	4,771	(1,761)	3,010
Financial Liabilities			
Derivative financial instruments	11,726	(1,761)	9,966
	11,726	(1,761)	9,966

Audited 31 December 2022 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments not offset	Net Amount
Financial Assets			
Derivative financial instruments	4,617	(3,466)	1,151
	4,617	(3,466)	1,151
Financial Liabilities			
Derivative financial instruments	11,112	(3,466)	7,646
	11,112	(3,466)	7,646

Note 12 – Investment Securities

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Government stock and multilateral development banks	-	-
Local authority securities	56,329	56,646
Other debt securities	176,193	132,080
Total investment securities	232,522	188,726
Current	51,893	35,362
Non-Current	180,629	153,364

Note 13 – Loans and Advances to Customers

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Residential mortgage loans	681,805	563,082
Corporate exposures	2,681,552	2,436,719
Credit Cards	2	21
Other exposures	-	-
Allowance for impairment losses	(27,056)	(14,354)
Total net loans and receivables	3,336,303	2,985,468
Current	634,888	120,662
Non-Current	2,701,415	2,864,806

Note 14 – Derivative Financial Instruments

Audited 31 December 2023	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Foreign exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	570,019	1,488	6,477
- Option Contracts	-	-	-
Total Foreign exchange derivatives	570,019	1,488	6,477
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	362,441	3,283	5,249
- Option Contracts	-	-	-
Total Interest Rate derivatives	362,441	3,283	5,249
Total		4,771	11,726

Audited 31 December 2022	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Forward exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	117,095	-	636
- Option Contracts	-	-	-
Total Foreign exchange derivatives	117,095	-	636
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	425,441	4,617	10,476
- Option Contracts	-	-	-
Total Interest Rate derivatives	425,441	4,617	10,476
Total		4,617	11,112

The notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts of risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the Banking Group in an orderly market transaction at balance sheet date. The replacement cost is considered to be the same as the positive or negative fair value.

Note 15 – Subsidiaries

As at 31 December 2023, the Branch and ICBC (NZ) do not have any subsidiaries (31 December 2022: Nil).

Note 16 – Property, Plant & Equipment

Audited 31 December 2023

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, Fittings & Leasehold Improvements	Total
Opening carrying amount	329	30	643	1,002
Additions	281	4	21	306
Disposals	-	-	-	-
Depreciation	(182)	(8)	(158)	(348)
Closing carrying amount	428	26	506	960

Audited 31 December 2022

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, Fittings & Leasehold Improvements	Total
Opening carrying amount	139	26	425	590
Additions	296	12	374	682
Disposals	-	(1)	-	(1)
Depreciation	(106)	(7)	(156)	(269)
Closing carrying amount	329	30	643	1,002

Note 17 – Leases

Audited 31 December 2023

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-Use assets				
Balance as at 31 December 2022	6,304	91	29	6,424
Additions	-	62	-	62
Adjustment due to lease review	238	-	-	238
Disposals	-	(17)	-	(17)
Depreciation	(1,479)	(44)	(6)	(1,529)
Balance as at 31 December 2023	5,063	92	23	5,178
Lease Liabilities				
Balance as at 31 December 2022	6,907	93	33	7,033
Additions	-	62	-	62
Adjustment due to lease review	238	-	-	238
Disposals	-	(17)	-	(17)
Lease payments	(1,638)	(48)	(9)	(1,695)
Interest expense on lease liabilities	133	5	2	140
Balance as at 31 December 2023	5,640	95	26	5,761

Audited 31 December 2022

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-Use assets				
Balance as at 31 December 2021	7,627	94	26	7,747
Additions	-	-	-	-
Adjustment due to lease review	49	41	13	103
Disposals	-	-	-	-
Depreciation	(1,372)	(44)	(10)	(1,426)
Balance as at 31 December 2022	6,304	91	29	6,424
Lease Liabilities				
Balance as at 31 December 2021	8,151	97	29	8,277
Additions	-	-	-	-
Adjustment due to lease review	49	41	13	103
Lease payments	(1,447)	(48)	(10)	(1,505)
Interest expense on lease liabilities	154	3	1	158
Balance as at 31 December 2022	6,907	93	33	7,033

The NZ Banking Group's lease portfolio:

Real estate leases

Head Office: The NZ Banking Group leases its head office. In 2020, the NZ Banking Group opted to extend the lease for a further 8 years, and no further rights of renewal were granted. The lease payments have increased by 3.25% every year.

Branch Office: The NZ Banking Group leases its branch office. In 2019, the NZ Banking Group opted to extend the lease for a further 6 years, and no further rights of renewal were granted. The lease payments are adjusted every year, based on the change in the consumer price index in the preceding year.

BCP Office: There is a 5 years' lease of BCP office started on 21 February 2020, which has option to extend the lease for a further 5 years.

Leases of vehicles The NZ Banking Group leases vehicles that are used mainly for staff's daily business transport. The non-cancellable lease terms are between three to four years with fixed lease payments.

Leases of office equipment The NZ Banking Group leases some office equipment. The non-cancellable period of the lease is 5 years, with fixed lease payments.

Note 18 – Other Assets

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Other receivables	1,497	1,267
Commissions receivable	-	-
Interest receivable	20,754	14,079
Trade and other receivables	22,251	15,346
Current	22,010	14,970
Non-Current	241	376

Note 19 – Due to Central Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Loans from other banks	-	-
Loans from central bank	-	-
Items in course of settlement	1	1
ATM cash at other banks	-	-
Total due to other financial institutions	1	1
Current	1	1
Non-Current	-	-

Note 20 – Balances with Related Parties

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Amounts due from ultimate parent	7,815	-
Amount due from controlled entities of ultimate parent	-	-
Total amount due from related parties	7,815	-
Current	7,815	-
Non-Current	-	-
Amounts due to ultimate parent	2,389,812	1,824,966
Amount due to controlled entities of ultimate parent	3	935
Total amount due to related parties	2,389,815	1,825,901
Current	1,545,087	725,901
Non-Current	844,728	1,100,000

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 31 December 2023 was NZ$7M (31 December 2022: NZ$7M). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches. Refer to Note (28) for transactions with related parties.

2. ICBC Group from time to time, transfers payments through the ICBC (NZ) Vostro account. The balance of ICBC (NZ) Vostro account was NZ$60M as at 31 December 2023 (31 December 2022: NZ$61M).

3. As at 31 December 2023, subordinated loans owed to ICBC Head Office have matured and fully repaid (Note 23).

Note 21 – Deposits from Customers

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Demand deposits not bearing interest	48,764	58,354
Demand deposits bearing interest	14,243	4,426
Term deposits	637,485	502,941
Total deposits	700,492	565,721
Current	685,366	559,749
Non-Current	15,126	5,972

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Note 22 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Certificates of deposit (CDs)	106,057	265,459
Other debt securities	599,732	475,180
Total debt securities issued	705,789	740,639
Current	406,042	265,891
Non-Current	299,747	474,748

Audited
31 December 2023
Certificates of deposits (CDs) issued

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	6.22 (fixed)	27 February 2024	23,000	21,653	21,653
New Zealand Dollar	6.22 (fixed)	27 February 2024	5,000	4,707	4,707
New Zealand Dollar	6.75 (fixed)	26 September 2024	10,000	9,368	9,405
New Zealand Dollar	6.26 (fixed)	15 January 2024	20,000	19,682	19,682
New Zealand Dollar	6.22 (fixed)	27 February 2024	2,000	1,883	1,883
New Zealand Dollar	6.235 (fixed)	19 January 2024	20,000	19,694	19,694
New Zealand Dollar	6.315(fixed)	22 April 2024	30,000	29,070	29,070
				106,057	106,094

Audited
31 December 2022
Certificates of deposits (CDs) issued

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	3.2875 (fixed)	21 March 2023	11,500	11,135	11,135
New Zealand Dollar	4.84667 (fixed)	27 February 2023	30,000	29,514	29,514
New Zealand Dollar	4.735 (fixed)	8 February 2023	10,000	9,882	9,882
New Zealand Dollar	3.3325 (fixed)	22 March 2023	20,000	19,356	19,356
New Zealand Dollar	3.2875 (fixed)	21 March 2023	3,500	3,389	3,389
New Zealand Dollar	3.3325 (fixed)	22 March 2023	15,000	14,518	14,518
New Zealand Dollar	4.73 (fixed)	21 February 2023	10,000	9,882	9,882
New Zealand Dollar	4.415 (fixed)	11 January 2023	15,000	14,835	14,835
New Zealand Dollar	4.665 (fixed)	7 February 2023	20,000	19,768	19,768
New Zealand Dollar	4.41 (fixed)	11 January 2023	35,000	34,615	34,615
New Zealand Dollar	4.635 (fixed)	25 January 2023	20,000	19,769	19,769
New Zealand Dollar	4.875 (fixed)	20 February 2023	30,000	29,644	29,644
New Zealand Dollar	4.665 (fixed)	7 February 2023	10,000	9,884	9,884
New Zealand Dollar	4.635 (fixed)	25 January 2023	10,000	9,884	9,884
New Zealand Dollar	4.16 (fixed)	20 January 2023	30,000	29,384	29,384
				265,459	265,459

On 28 March 2023, S&P Global Ratings confirmed a credit rating of "A-1" for Industrial and Commercial Bank of China (New Zealand) Limited's Certificate of Deposit Programme.

On 28 March 2023, S&P Global Ratings confirmed a credit rating of "A-1" for Industrial and Commercial Bank of China Ltd. (Auckland Branch)'s Certificate of Deposit Programme.

Note 22 – Certificates of Deposit and Debt Securities Issued (continued)

Medium term notes issued			Audited 31 December 2023			Audited 31 December 2022		
Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	3.38 (fixed)	23 March 2023	-	-	-	432	432	432
New Zealand Dollar	2.61 (fixed)	27 June 2024	100,000	99,984	99,984	100,000	99,946	96,393
New Zealand Dollar	3 month NZD BKBM+68bp*	29 February 2024	200,000	200,000	200,000	200,000	200,000	200,000
New Zealand Dollar	3 month NZD BKBM+110bp*	26 May 2025	175,000	174,873	174,873	175,000	174,802	174,802
New Zealand Dollar	3 month NZD BKBM+115bp*	2 June 2026	75,000	74,887	74,887			
New Zealand Dollar	3 month NZD BKBM+115bp*	2 June 2026	50,000	49,988	49,988			
				599,732	599,732		475,180	471,627

* The debt securities are repriced every three months.

On 28 March 2023, S&P Global Ratings confirmed a credit rating of "A" for Industrial and Commercial Bank of China (New Zealand) Limited's Medium Term Note Programme.

Note 23 – Subordinated Loans due to Related Parties

Audited
31 December 2023
Subordinated loans due to related parties

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	-	-	-	-	-
				-	-

The subordinated loans due to related parties of NZ$35m as at 31 December 2022 has been repaid on 9 February 2023.

Audited
31 December 2022
Subordinated loans due to related parties

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	6 months NZD BKBM+80bps	9 February 2023	35,000	35,000	35,000
				35,000	35,000

Note 24 – Other Liabilities

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Employee entitlements Accrued	1,264	2,237
Accounts payable	924	619
Interest payable	50,815	28,966
Provision for impairment on loan commitments and financial guarantee contracts	3,565	1,652
Other payables and deferred revenue	5,843	6,664
Total other liabilities	62,411	40,138
Current	59,742	38,525
Non-Current	2,669	1,613

Note 25 – Branch's Head Office Account

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Branch capital	84,000	84,000
Retained earnings/(losses)	26,834	12,898
Total Branch's head office account	110,834	96,898

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Branch capital		
Balance at the start of the period	84,000	84,000
Contributions during the period	-	-
Balance at the end of the period	84,000	84,000

Head office account comprises funds provided by the Overseas Bank to support its New Zealand branch. It is non-interest bearing and there is no fixed date for repatriation.

Note 26 – Other Members of NZ Banking Group's Equity

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Share capital	233,540	233,540
Retained earnings	83,472	64,642
Total equity	317,012	298,182

	31 December 2023	31 December 2022
Equity	Number of shares	Number of shares
Number of shares at the start of the period	233,539,975	233,539,975
Shares issued during the period	-	-
Number of shares at the end of the period	233,539,975	233,539,975

The NZ Banking Group has equal voting rights and share equally in dividends and any profits on winding up. Shares do not have a par value.

Note 27 – Asset Quality

The Bank has disclosed certain component of its loan portfolio as impaired assets according to the classification below:

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

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

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

Audited 31 December 2023	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	2	677,031	2,681,552	3,358,585
Past due assets not impaired				
Less than 30 days past due	-	3,364	-	3,364
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	3,364	-	3,364
Individually impaired assets				
Balance at beginning of the year	17	1,428	-	1,445
Additions	-	-	-	-
Amounts recovered	-	-	3,149	3,149
Amounts written off		-	-	-
Deletions	(17)	(18)	(3,149)	(3,184)
Total individually impaired assets	-	1,410	-	1,410
Total gross loans and advances	2	681,805	2,681,552	3,363,359
Individually assessed provisions				
Balance at beginning of the year	17	904	-	921
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	-	-	-
Reversals of previously recognised impairment losses	(17)	(130)	(3,149)	(3,296)
Amounts recovered	-	-	3,149	3,149
Amounts written off	-	-	-	-
Balance at end of the period	-	774	-	774
Collectively assessed provisions				
Balance at beginning of the year	-	3,097	10,336	13,433
Charge/(credit) to the statement of comprehensive income	-	(831)	13,680	12,849
Other movements	-	-	-	-
Balance at end of the year	-	2,266	24,016	26,282
Total provisions for impairment losses	-	3,040	24,016	27,056
Net balance at end of the year	2	678,765	2,657,536	3,336,303

Note 27 – Asset Quality (continued)

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

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

Undrawn balances on lending commitments to counterparties were $1,605M as at 31 December 2023 (31 December 2022: $1,243M).

There has been $19K interest revenue foregone on individually impaired or greater than 90 days past due assets during the year ended 31 December 2023 (31 December 2022: $15K).

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

Note 28 – Transactions with Related Parties

(a) Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the NZ Banking Group are defined as the Directors and members of the senior executive team of the NZ Banking Group. The information relating to the key management personnel disclosed in the tables below includes transactions with those individuals, their close family members and their controlled entities.

(i) Key Management Personnel Compensation

Thousands of dollars	**Audited 31 December 2023**	**Audited 31 December 2022**
Salaries and other short-term benefits	2,361*	2,334*
Other benefits	-	-
Total key management compensation	2,361*	2,334*

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

(ii) Key Management Personnel Deposits and Loans with the NZ Banking Group

Audited 31 December 2023

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	1,024	623	1,647	(72)
Loans and Advances	-	-	-	-
Total	1,024	623	1,647	(72)

Audited 31 December 2022

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	407	617	1,024	(13)
Loans and Advances	-	-	-	-
Total	407	617	1,024	(13)

The above deposits, loans and advances (including interest rates and collateral) transactions were conducted in the normal course of business and on commercial terms and conditions.

The NZ Banking Group issued credit cards to ICBC (NZ)'s directors and senior management, and the Chief Executive of the Branch with total of $50K credit limit (31 December 2022: $50K). The amount owed on the card at 31 December 2023 was nil (31 December 2022: nil).

(b) Guarantees

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

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

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

Rating Agency/Rating Results	**Moody's Investors Service, Inc.**	**Standard & Poor's Global Ratings**	**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	Negative	Stable	Stable

Note 28 – Transactions with Related Parties (continued)

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

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

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

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

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

(c) Related party transactions

Thousands of dollars	**Audited 31 December 2023**	**Audited 31 December 2022**
Interest income on amount due from related entities		
Ultimate parent	661	740
Subsidiaries of ultimate parent	-	-
Total interest income on amount due from related entities	661	740
Interest expense on amount due to related entities		
Ultimate parent	117,987	42,550
Subsidiaries of ultimate parent	44	13
Total interest expense on amount due to related entities	118,031	42,563
Other operating income		
Gain/(loss) on derivative contracts with ultimate parent	274	-
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	625	(8)
Other income	-	-
Total other operating income	**899**	**(8)**
Other operating expense		
Other operating expense paid to ultimate parent	92	121

Interest payable to parent as at 31 December 2023 was $29,658K (31 December 2022: $16,234K), and interest payable to subsidiaries of the ultimate parent was $3K (31 December 2022: nil). This is included in interest payable balance and interest paid expense.

Overseas Bank includes ICBC Head Office and other branches.

There are no loans guaranteed by related parties (31 December 2022: nil).

Note 29 – Concentration of Credit Risk

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

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Government	666,622	402,360
Finance (including banks)	328,200	246,967
Households	683,649	564,195
Transport and storage	32,032	41,012
Communications	72,968	71,366
Accommodation & food services	72,176	72,617
Construction	215,060	153,664
Property services	1,362,949	1,150,539
Agriculture	6,855	4,952
Forestry, fishing and mining	63,413	80,872
Health and community services	324,878	267,881
Retail and wholesale trade	65,184	60,557
Manufacturing	57,441	82,762
Education	72,997	78,167
Administration and support services	-	-
Electricity, Gas & Water	253,259	335,238
Other Industries	46,053	11,432
Less: allowance for impairment provisioning	(27,162)	(14,434)
Total financial assets	4,296,574	3,610,147
Less: non-interest earning financial assets	(42,149)	(13,317)
Total interest earning and discount bearing financial assets	4,254,425	3,596,830

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

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
New Zealand	4,052,375	3,410,940
Overseas	244,199	199,207
Total financial assets	4,296,574	3,610,147

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Note 29 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Loans and advances to customers	3,336,303	2,985,468
Derivative financial instruments	1,852	527
Trade and Other Receivables	-	-
Other financial assets	19,436	13,153
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	3,357,591	2,999,148
Cash and cash equivalents	663,142	376,876
Amounts due from related parties	7,815	-
Due from other financial institutions	29,999	40,000
Investment securities	232,522	188,726
Derivative financial instruments	2,919	4,090
Loans and advances to customers	-	-
Tax Receivable	-	-
Other financial assets	2,586	1,307
Total on Balance Sheet Credit Exposures	4,296,574	3,610,147
Off Balance Sheet Exposures	1,605,125	1,242,813
Total Off Balance Sheet Credit Exposures	1,605,125	1,242,813

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

As at 31 December 2023, 50.04% of the NZ Banking Group's mortgage portfolio was owner-occupied residential properties (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 (31 December 2022: nil).

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Note 30 – Concentration of Funding

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

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
New Zealand		
Transport and storage	21,155	38,929
Financing investment and insurance	814,490	729,928
Electricity, gas and water	415	293
Food and other manufacturing	1,081	3,361
Construction	16,047	17,944
Communication	139	519
Government, local authorities and services	52,285	51,063
Agriculture	11	36
Forestry	8,194	276
Health and community services	52	75
Personal and other services	-	-
Property and business services	29,544	23,647
Education	25,718	32,859
Retail and wholesale trade	3,019	3,448
Art and recreational service	30,626	-
Accommodation and food services	655	106
Other	8,415	30,238
Households	145,116	93,661
Overseas		
Amounts due to related parties	2,419,476	1,877,768
Financing investment and insurance (not including ICBC group)	205,054	245,683
Households	93,252	73,039
Other deposits	1,016	2,556
Total financial liabilities	3,875,760	3,225,429
Less: non-interest bearing financial liabilities	(122,667)	(109,487)
Total interest and discount bearing liabilities	3,753,093	3,115,942

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

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Deposits from customers	700,492	565,721
Registered Banks	1	1
Derivative financial liabilities	11,726	11,112
Financial Investors	-	-
Certificates of deposit	106,057	265,459
Subordinated loans due to related parties	-	35,000
Debts securities issued	599,732	475,180
Amounts due to related parties	2,389,815	1,825,901
Lease liabilities	5,761	7,033
Other	62,176	40,022
Total financial liabilities	3,875,760	3,225,429

Note 31 – Capital Commitments

As at 31 December 2023, there were nil capital commitments (31 December 2022: nil).

Note 32 – Contingent Liabilities and Commitments

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Performance/financial guarantees issued on behalf of customers	5,642	-
Total contingent liabilities	5,642	-
Undrawn Commitments	1,605,125	1,242,813

Note 33 – Subsequent Events after Balance Sheet Date

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

Note 34 – Financial Risk Management

A. Introduction
The NZ Banking Group is committed to the management of financial risk to achieve sustainability of service, employment and profits and therefore takes on controlled amounts of financial risks when considered appropriate.

The primary financial risks of the NZ Banking Group are credit, liquidity, interest rate, foreign exchange, operational risk, conduct risk, and reputation risks.

The Board of Directors is responsible for the review and ratification of the NZ Banking Group's systems of risk management, internal compliance and control, code of conduct and legal compliance.

The Board maintains a formal set of delegated authorities that clearly define the responsibilities delegated to Management and those retained by the Board. Credit and Treasury delegated authorities are contained within their respective policy documents. The Board approves these delegated authorities and reviews them annually.

Management formally reports on key credit, treasury and operational risks to the Board on a monthly basis. In addition, the following management committees review and manage key risks:

- The Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress; and
- The Risk Management Committee meets monthly to consider, monitor and review exposure to interest rate risk, liquidity risk, foreign currency risk, and credit risk.

There has been no external review of the risk management systems during the period.

B. Credit Risk
Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The NZ Banking Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the NZ Banking Group's credit risk management function include:

1. Centralised credit management procedures; and
2. Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval and granting of loan and post-disbursement loan monitoring.

Credit risk incorporates the risks associated with the NZ Banking Group lending to customers who could be impacted by climate change or by changes to laws or regulations that pertain to climate change. The NZ Banking Group seeks to consider all identifiable credit risk when it considers new loans. As at the year ended 31 December 2023, the NZ Banking Group's credit evaluation policies and procedures have not identified material new risks that stem from climate change that could be expected to lead to a shift in the probability of default or loss given default of loan facilities.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the NZ Banking Group also makes available to its customers guarantees which may require the NZ Banking Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the NZ Banking Group to similar risks to loans and these are mitigated by the same control processes and policies.

The NZ Banking Group will enter into master agreements which provides the contractual framework within which derivative dealing activities are conducted. Under each of these agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Refer to Note 29 on the disclosure of concentration of credit risk of counterparties by geographical and sector.

Note 34 – Financial Risk Management (continued)

C. Liquidity Risk

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

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

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

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

Audited 31 December 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	60,278	648,502	943,934	897,913	-	2,550,627
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	64,231	296,830	353,597	17,273	-	731,931
Certificates of deposit	-	70,000	40,000	-	-	110,000
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	-	208,189	116,480	318,532	-	643,201
Lease liabilities	-	394	1,187	5,028	789	7,398
Other financial liabilities	-	494	1,875	-	-	2,369
Total financial liabilities	124,510	1,224,409	1,457,073	1,238,746	789	4,045,527
Derivative cash flows						
Inflows from derivatives	-	157,488	70,307	18,004	3,279	249,078
Outflows from derivatives	-	(156,189)	(69,356)	(17,907)	(3,264)	(246,716)
Total	-	1,299	951	97	15	2,362
Off balance sheet cash flows						
Financial guarantees outflows	-	-	5,642	-	-	5,642
Commitments outflows	1,605,125	-	-	-	-	1,605,125
Total	1,605,125	-	5,642	-	-	1,610,767

Note 34 – Financial Risk Management (continued)

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

Liquidity portfolio management

Thousands of dollars	**Audited 31 December 2023**	**Audited 31 December 2022**
Cash, cash equivalents and balances with central banks	663,142	376,876
Amounts due from related parties	-	-
Due from banks and other financial institutions	29,999	40,000
Investment securities	232,522	188,726
Total liquidity portfolio	**925,663**	**605,602**

Note 34 – Financial Risk Management (continued)

D. Interest Rate Risk

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

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

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

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

Audited 31 December 2023	Not interest-bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	42,677	620,465	-	-	-	-	663,142
Amounts due from related parties	-	7,815	-	-	-	-	7,815
Due from banks and other financial institutions	(1)*	30,000	-	-	-	-	29,999
Investment securities	(105)*	90,000	6,001	25,900	55,470	55,256	232,522
Derivative financial assets	4,771	-	-	-	-	-	4,771
Loans and advances to customers	(27,056)	2,779,521	153,313	256,894	162,387	11,244	3,336,303
Other financial assets	21,863	-	-	-	-	159	22,022
Total financial Assets	42,149	3,527,801	159,314	282,794	217,857	66,659	4,296,574
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	1,593,998	732,665	-	-	63,152	2,389,815
Derivative financial liabilities	11,726	-	-	-	-	-	11,726
Deposits from customers	48,764	302,517	138,258	195,928	10,939	4,086	700,492
Certificates of deposit	-	67,620	29,070	9,367	-	-	106,057
Subordinated loans due to related parties	-	-	-	-	-	-	-
Debt securities issued	-	499,748	99,984	-	-	-	599,732
Lease liabilities	-	-	-	26	1,056	4,679	5,761
Other financial liabilities	62,176	-	-	-	-	-	62,176
Total financial liabilities	122,666	2,463,884	999,977	205,321	11,995	71,917	3,875,760
On-balance sheet gap	(80,517)	1,063,917	(840,663)	77,473	205,862	(5,258)	420,814
Net derivative notional principals	-	(100,000)	100,000	-	-	-	-
Net effective interest rate gap	(80,517)	963,917	(740,663)	77,473	205,862	(5,258)	420,814

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

Note 34 – Financial Risk Management (continued)

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

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

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Note 34 – Financial Risk Management (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads. The NZ Banking Group takes an exposure to the effects of fluctuations in the prevailing levels of market interest rate cash flow risks. The fair value risk is not material.

The tables below summarise the before-tax sensitivity of financial assets and liabilities to changes in interest rate. The market value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity analysis is performed based on the reporting of interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

Audited 31 December 2023

Thousands of dollars	Carrying amount	-1% Profit	+1% Profit	-1% Equity	+1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	663,142	(17)	17	(17)	17
Amounts due from related parties	7,815	-	-	-	-
Due from banks and other financial institutions	29,999	-	-	-	-
Investment securities	232,522	(635)	635	(635)	635
Derivative financial assets	4,771	(75)	(327)	(75)	(327)
Loans and advances to customers	3,336,303	(23,210)	23,210	(23,210)	23,210
Other financial assets	22,022	-	-	-	-
Total financial assets	4,296,574	(23,937)	23,535	(23,937)	23,535
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	2,389,815	9,208	(9,208)	9,208	(9,208)
Derivative financial liabilities	11,726	327	76	327	76
Deposits from customers	700,492	-	-	-	-
Certificates of deposit	106,057	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	599,732	4,251	(4,251)	4,251	(4,251)
Lease liabilities	5,761	-	-	-	-
Other financial liabilities	62,176	-	-	-	-
Total financial liabilities	3,875,760	13,786	(13,383)	13,786	(13,383)

Note 34 – Financial Risk Management (continued)

Audited 31 December 2022

Thousands of dollars	Carrying amount	-1% Profit	+1% Profit	-1% Equity	+1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	376,876	(16)	16	(16)	16
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	40,000	-	-	-	-
Investment securities	188,726	-	-	-	-
Derivative financial assets	4,617	405	(360)	405	(360)
Loans and advances to customers	2,985,468	(21,413)	21,413	(21,413)	21,413
Other financial assets	14,460	-	-	-	-
Total financial assets	3,610,147	(21,024)	21,069	(21,024)	21,069
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	1,825,901	7,869	(7,869)	7,869	(7,869)
Derivative financial liabilities	11,112	360	(405)	360	(405)
Deposits from customers	565,721	-	-	-	-
Certificates of deposit	265,459	-	-	-	-
Subordinated loans due to related parties	35,000	-	-	-	-
Debt securities issued	475,180	3,192	(3,192)	3,192	(3,192)
Lease liabilities	7,033	-	-	-	-
Other financial liabilities	40,022	-	-	-	-
Total financial liabilities	3,225,429	11,421	(11,466)	11,421	(11,466)

Note 34 – Financial Risk Management (continued)

E. Foreign Currency Risk

Foreign exchange risk is the risk that the NZ Banking Group would be adversely impacted from unfavourable movements in foreign currency rates. The NZ Banking Group manages its currency risk through various methods, including hedging foreign exchange risk, and performing currency risk sensitivity analysis and stress testing regularly. The table below summarises the NZ Banking Group's exposure to foreign currency exchange rate risk as at year end. Included in the table are the NZ Banking Group's financial instruments at carrying amounts, categorised by currency.

Audited 31 December 2023

Thousands of dollars	HKD	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	18	499	556	47,298	1,636	50,007
Amounts due from related parties	-	-	-	7,815	-	7,815
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	9,263	-	95,542	58,005	162,810
Other financial assets	-	24	-	280	173	477
Total financial assets	18	9,786	556	150,935	59,814	221,109
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	155,330	94,728	-	250,058
Deposits from customers	-	27	658	35,613	65	36,363
Certificates of deposit	-	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	-	-	-	(58)	-	(58)
Other financial liabilities	-	-	479	4,402	159	5,040
Total financial liabilities	-	27	156,468	134,685	224	291,404
Net on balance sheet financial position	18	9,759	(155,912)	16,250	59,590	(70,295)
Net derivative position	-	(8,734)	155,330	(6,315)	(54,993)	85,288
Total open position	18	1,025	(582)	9,935	4,597	14,993

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Note 34 – Financial Risk Management (continued)

Audited 31 December 2022

Thousands of dollars	HKD	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	17	551	603	14,013	802	15,986
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	13,233	4	87,207	39,171	139,615
Other financial assets	-	26	-	15	142	183
Total financial assets	17	13,810	607	101,235	40,115	155,784
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	-	-	-	-
Deposits from customers	-	198	584	26,591	104	27,477
Certificates of deposit	-	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	-	-	-	482	140	622
Total financial liabilities	-	198	585	27,073	244	28,100
Net on balance sheet financial position	17	13,612	22	74,162	39,871	127,684
Net derivative position	-	(15,999)	-	(63,172)	(38,444)	(117,615)
Total open position	17	(2,387)	22	10,990	1,427	10,069

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Note 34 – Financial Risk Management (continued)

The tables below summarise the before-tax sensitivity of financial assets and liabilities to changes in currency risks. The market value of the assets and liabilities was used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity analysis is performed based on the reporting of foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

Audited 31 December 2023

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	50,007	(5,000)	5,000	(5,000)	5,000
Amounts due from related parties	7,815	(782)	782	(782)	782
Due from banks and other financial institutions	-	-	-	-	-
Investment securities	-	-	-	-	-
Loans and advances to customers	162,810	(16,281)	16,281	(16,281)	16,281
Other financial assets	477	(48)	48	(48)	48
Total financial assets	221,109	(22,111)	22,111	(22,111)	22,111
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	250,058	25,006	(25,006)	25,006	(25,006)
Deposits from customers	36,363	3,636	(3,636)	3,636	(3,636)
Certificates of deposit	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	(58)	(6)	6	(6)	6
Other financial liabilities	5,040	504	(504)	504	(504)
Total financial liabilities	291,404	29,140	(29,140)	29,140	(29,140)
Net on balance sheet financial position	(70,295)	7,029	(7,029)	7,029	(7,029)
Net derivative position	85,288	(8,528)	8,528	(8,528)	8,528
Total open position	14,993	(1,499)	1,499	(1,499)	1,499

Note 34 – Financial Risk Management (continued)

Audited 31 December 2022

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	15,986	(1,599)	1,599	(1,599)	1,599
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-
Investment securities	-	-	-	-	-
Loans and advances to customers	139,615	(13,962)	13,962	(13,962)	13,962
Other financial assets	183	(18)	18	(18)	18
Total financial assets	155,784	(15,579)	15,579	(15,579)	15,579
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	-	-	-	-	-
Deposits from customers	27,477	2,748	(2,748)	2,748	(2,748)
Certificates of deposit	-	-	-	-	-
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	622	62	(62)	62	(62)
Total financial liabilities	28,100	2,810	(2,810)	2,810	(2,810)
Net on balance sheet financial position	127,684	(12,769)	12,769	(12,769)	12,769
Net derivative position	(117,615)	(11,762)	11,762	(11,762)	11,762
Total open position	10,069	(1,007)	1,007	(1,007)	1,007

F. Operational Risk

The NZ Banking Group defines operational risks as risks of loss resulting from inadequate or failed internal processes, controls, systems and/or from external parties. It is a pervasive risk that involves all aspects of the NZ Banking Group as well as other counterparties with whom the NZ Banking Group deals under day to day operations. The NZ Banking Group's policy is to ensure that the risk of losses from operational failure is minimised. To this purpose the NZ Banking Group has a variety of control systems. Operational procedures are reviewed regularly by Senior Management and Internal Audit, and with a frequency determined by the level of risks involved.

G. Equity Risk

The NZ Banking Group did not have any equity risk exposure as at balance date 31 December 2023 (31 December 2022: nil).

Note 34 – Financial Risk Management (continued)

H. Financial Instruments by Category

Audited 31 December 2023

Thousands of dollars	Financial assets at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets				
Cash, cash equivalents and balances with central banks	663,142	-	-	663,142
Amounts due from related parties	7,815	-	-	7,815
Due from banks and other financial institutions	29,999	-	-	29,999
Investment securities	232,522	-	-	232,522
Derivative financial assets	-	4,771	-	4,771
Loans and advances to customers	3,336,303	-	-	3,336,303
Other financial assets	22,022	-	-	22,022
Total financial assets	4,291,803	4,771	-	4,296,574

Thousands of dollars	Financial liabilities at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial liabilities				
Due to central banks and other financial institutions	1	-	-	1
Amounts due to related parties	2,389,815	-	-	2,389,815
Derivative financial liabilities	-	11,726	-	11,726
Deposits from customers	700,492	-	-	700,492
Certificates of deposit	106,057	-	-	106,057
Subordinated loans due to related parties	-	-	-	-
Debt securities issued	599,732	-	-	599,732
Lease liabilities	5,761	-	-	5,761
Other financial liabilities	62,176	-	-	62,176
Total financial liabilities	3,864,034	11,726	-	3,875,760

Note 34 – Financial Risk Management (continued)

Audited 31 December 2022

Thousands of dollars	Financial assets at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets				
Cash, cash equivalents and balances with central banks	376,876	-	-	376,876
Amounts due from related parties	-	-	-	-
Due from banks and other financial institutions	40,000	-	-	40,000
Investment securities	188,726	-	-	188,726
Derivative financial assets	-	4,617	-	4,617
Loans and advances to customers	2,985,468	-	-	2,985,468
Other financial assets	14,460	-	-	14,460
Total financial assets	3,605,530	4,617	-	3,610,147

Thousands of dollars	Financial liabilities at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial liabilities				
Due to central banks and other financial institutions	1	-	-	1
Amounts due to related parties	1,825,901	-	-	1,825,901
Derivative financial liabilities	-	11,112	-	11,112
Deposits from customers	565,721	-	-	565,721
Certificates of deposit	265,459	-	-	265,459
Subordinated loans due to related parties	35,000	-	-	35,000
Debt securities issued	475,180	-	-	475,180
Lease liabilities	7,033	-	-	7,033
Other financial liabilities	40,022	-	-	40,022
Total financial liabilities	3,214,317	11,112	-	3,225,429

Note 34 – Financial Risk Management (continued)

I. 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 7, the fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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 are 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 year.

Note 34 – Financial Risk Management (continued)

Audited 31 December 2023

Thousands of dollars	Carrying amount	Estimated Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	663,142	-	663,142	-	663,142
Amounts due from related parties	7,815	-	7,815	-	7,815
Due from banks and other financial institutions	29,999	-	29,999	-	29,999
Investment securities	232,522	228,565	-	-	228,565
Derivative financial assets	4,771	-	4,771	-	4,771
Loans and advances to customers	3,336,303	-	3,334,943	-	3,334,943
Other financial assets	22,022	-	22,022	-	22,022
Total financial assets	4,296,574	228,565	4,062,692	-	4,291,257
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	2,389,815	-	2,388,911	-	2,388,911
Derivative financial liabilities	11,726	-	11,726	-	11,726
Deposits from customers	700,492	-	700,724	-	700,724
Certificates of deposit	106,057	-	106,094	-	106,094
Subordinated loans due to related parties	-	-	-	-	-
Debt securities issued	599,732	-	599,732	-	599,732
Lease liabilities	5,761	-	5,761	-	5,761
Other financial liabilities	62,176	-	62,176	-	62,176
Total financial liabilities	3,875,760	-	3,875,125	-	3,875,125

Audited 31 December 2022

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

Note 35 – Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date neither the Registered Bank nor the NZ Banking Group were 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
- Any insurance business or non-financial activities in New Zealand within or outside the NZ Banking Group.

Note 36 – Risk Management Policies

The NZ Banking Group's objective is to appropriately manage all the risks that arise from its activities. A review of the risk appetite of the NZ Banking Group is conducted periodically having regard to prevailing market conditions and strategy. Based upon this review, an assessment of the relevant policies, systems, and reporting is undertaken to ensure that they are consistent with the stated risk appetite of the NZ Banking Group.

A. Specific Areas of Risk Management
The NZ Banking Group's Key areas of risk are Strategic and Business risk (managed by the Board through annual and three and five year business plans); Financial Risks including Credit Risk, Interest Rate Risk, Liquidity Risk, Foreign Exchange Risk and Operational Risk (managed through internal controls and procedures), Financial and operational risk management appetites, objectives, policies, strategies, and processes are documented in Note 34 of the financial statements.

B. Risk management structure
The Branch's risk management framework is established to commensurate with the Overseas Bank Head Office's risk management strategies and policies, and ensuring compliance with all Reserve Bank requirements.

The relevant risk owner within each Overseas Bank business unit monitors the Branch's risk management on an on-going basis, and Branch business functions report their risk performance and risk positions to the Overseas Bank. By collecting these reports, the Overseas Bank is able to monitor a range of Branch risk measures, including interest repricing gap, maturity mismatch, foreign currency exposure, credit quality and grading and other dimensional risk information.

ICBC (NZ) employs management, management have specific responsibilities for ICBC Auckland Branch.

As the top decision-making body for risk management in ICBC (NZ), the Local Board is responsible for the overall risk management approach, including determining risk management framework, overall risk strategy, general principles of risk management, risk appetites and risk tolerance, and supervising the daily work of management. The Local Board has reviewed and approved the ICBC (NZ)'s revised General Principles of Risk Management and Risk Appetite Statement. The Local Board has the responsibility to monitor the overall risk process within the ICBC (NZ) and has appointed a Local Board Risk Committee to carry out this function.

Further information on the risk management structure and governance of ICBC (NZ) is available in the ICBC (NZ) year end Disclosure Statement which is available on the ICBC (NZ) website (www.icbcnz.com).

Further information on the risk management processes implemented by the Overseas Banking Group is accessible to users on the Overseas Bank's website (www.icbc.com.cn).

C. Internal Audit Function
The NZ Banking Group has established an independent internal audit function for abiding by the local regulatory requirements and group policies, conducting the internal audit supervision and evaluation of the institution independently, objectively and effectively. The function reports internal audit work in a timely and normative manner, and promotes the rectification work on audit findings. The Internal Audit function of the NZ Banking Group is independent from its respective business, risk management, and internal control and compliance practice. It assists the NZ Banking Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the organisation's governance, risk management and internal control system. The Internal Audit function follows a risk based approach in scheduling audits.

The Internal Audit function for the Branch has a dual-track reporting line and reports the audit work and results to the CEO of the Branch and the Internal Audit Bureau of the Head Office (ICBC Ltd) at the same time. By doing so, it performs the duties of administrative reporting to the General Manager of the Branch, and performs the functions reporting duties to the Internal Audit Bureau of the Head Office (ICBC Ltd).

The Internal Audit function for ICBC (NZ) reports its work directly to the Board Audit Committee of ICBC (NZ). At the same time, it is subject to guidance from the Internal Audit Bureau of the Head Office (ICBC Ltd).

D. Credit Risk Mitigation and Collateral
The NZ Banking Group uses various risk mitigation techniques to reduce the credit risk arising from its lending activities.

- Corporate loans and discounted bills are mainly collateralised by properties or other assets and are assessed taking into account the customers stability of earnings and other factors.
- Retail loans are collateralised by residential properties.

The NZ Banking Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral is assessed and confirmed by the NZ Banking Group or valuation agents identified by the NZ Banking Group.

Note 36 – Risk Management Policies (continued)

The loan-to-value ratio depends on types of collateral, usage condition, liquidity and price volatility. For retail loans, regulatory restrictions also apply from time to time. All collateral has to be registered in accordance with the relevant laws and regulations. The relationship managers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the NZ Banking Group's policy to dispose of assets in an orderly manner, where mortgage defaults occur. In general, the NZ Banking Group does not occupy or take possession of assets.

As at 31 December 2023, the gross carrying amount of corporate loans amounted to NZD2,681M (31 December 2022: NZD2,436M), of which credit exposure covered by collateral amounted to NZD1,816M (31 December 2022: NZD1,506M). Retail loans are fully collateralised by residential properties. As at 31 December 2023, the gross carrying amount of retail loans amounted to NZD682M (31 December 2022: NZD563M).

Note 37 – Capital Adequacy

(a) ICBC (NZ) capital adequacy requirements

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

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

The 'Banking Group' means ICBC (NZ) and its subsidiaries. As at the date of this Disclosure Statement, ICBC (NZ) does not have any subsidiaries and is the only member of the Banking Group.

For the financial year ended 31 December 2023, ICBC (NZ) has complied in full with its regulatory and internal capital adequacy requirements.

(b) Overseas Banking Group capital adequacy requirements

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

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

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

The Overseas Bank and the Overseas Banking Group each met the capital requirements imposed on them by the NFRA as at 30 September 2023.

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

	30 September 2023	31 December 2022
Overseas Banking Group		
Common Equity Tier 1 Capital Ratio	13.39%	14.04%
Tier 1 Capital Ratio	14.83%	15.64%
Total Capital Ratio	18.79%	19.26%
Overseas Bank		
Common Equity Tier 1 Capital Ratio	13.23%	14.03%
Tier 1 Capital Ratio	14.69%	15.66%
Total Qualifying Capital Ratio	18.99%	19.60%

Note 37 – Capital Adequacy (continued)

(c) Additional mortgage information

Residential mortgages by loan-to-valuation ratio

31 December 2023

Thousands of dollars

Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	678,765	-	-	678,765

31 December 2022

Thousands of dollars

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

Reconciliation of residential mortgage-related amounts

Thousands of dollars	31 December 2023	31 December 2022
Residential mortgage loans (as disclosed in Note 13 and Note 27)		
On balance sheet exposures		
Residential – owner occupied	341,146	278,706
Residential - investment	340,659	284,376
Residential – corporate lending	-	-
Provisions for impairment losses on loans and advances	(3,040)	(4,001)
Residential mortgages by loan-to-valuation ratio	678,765	559,081
Off balance sheet exposures	-	-
Total	678,765	559, 081

(d) Market Risk

Market risk exposures have been calculated in accordance with the methodology detailed in BPR140 of the RBNZ's Banking Prudential Requirements, and schedule 9 of the Registered Bank Disclosure Statements (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 6 months period ended 31 December of 2023 of the aggregate capital charge at the close of each business day derived in accordance with BPR140 of the Reserve Bank's Banking Prudential Requirements.

31 December 2023	End-period notional capital charges		Peak end-of-day notional capital charges	
Thousands of dollars	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Interest rate risk	94,525	7,562	111,363	8,909
Foreign currency risk	16,050	1,284	18,075	1,446
Equity risk	-	-	-	-
Total capital requirements	110,575	8,846	129,438	10,355

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

Note 38 – Other information on the Overseas Banking Group

As at 30 September 2023	
Profitability	
Net profit after tax for the 12 month period (RMB millions)	363,218
Net profit after tax for the 12 month period as a percentage of average total assets	0.87%
Size	
Total assets (RMB millions)	44,482,823
Percentage change in total assets over the previous 12 month period	12.47%

As at 30 June 2023	
Asset quality	
Total gross individually impaired assets (RMB millions)	347,188
Total individually impaired assets as a percentage of total assets	0.80%
Total individually assessed provisions (RMB millions)	271,312
Total individually assessed provisions as a percentage of total gross individually impaired assets	78.15%
Total collective provision (RMB millions)	536,827

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Independent Auditor's Report

To the Directors of Industrial and Commercial Bank of China Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (EXCLUDING SUPPLEMENTARY INFORMATION RELATING TO CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY)

Opinion

We have audited the consolidated financial statements and supplementary information (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy) of Industrial and Commercial Bank of China, Auckland Branch ('the Branch') and its subsidiaries (the 'Banking Group').

The consolidated financial statments comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

The supplementary information (excluding the information related to Credit and Market Risk Exposures and Capital Adequacy) comprises the information required to be disclosed under Schedules 4, 7, 11 and 13 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Bank) Order 2014 (as amended) (the 'Order').

In our opinion, the accompanying consolidated financial statements, on pages 11 to 74:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Banking Group as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

In our opinion, the supplementary information (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy) disclosed in accordance with Schedules 4, 7, 11, and 13 of the Order (the 'Supplementary Information'):

- has been prepared, in all material respects, in accordance with the guidelines issued pursuant to Section 78(3) of the Banking (Prudential Supervision) Act 1989 and any Conditions of Registration;
- is in accordance with the books and records of the Banking Group in all material respects; and
- fairly states in all material respects the matters to which it relates in accordance with those Schedules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy) section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Registered Banking Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy) of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses As described in Notes 1(f) and 6, the provision for expected credit losses (ECL) has been estimated as $30.7 million as at 31 December 2023. The Banking Group's provision for credit impairment is made up of both a collective and, to a lesser extent, a specific provision. Individual ECL provisions are estimated by applying judgement as to the cash flows receivable from the recoveries of individual assets, which is inherently uncertain. The collective ECL is a probability-weighted estimate of the losses that are expected to occur from default events over a relevant timeframe. Using a number of inherently complex models, management applies significant judgement and estimation to incorporate both historical information and forward-looking information to determine the ECL. Because of foreseeable economic uncertainty, judgement and complexity remain elevated in assessing the expected impact on cash flows, security values, and expected credit losses, as well as the underlying assumptions used to estimate these. We considered this a key audit matter due to the significant judgements made by management, as well as the inherently high complexity in the models used to calculate ECL. Other principal considerations for having determined that the ECL is a key audit matter, include the extent of effort applied to audit the balance.	We performed the following audit procedures, amongst others: • Evaluated the systems, processes and controls in place over the critical data elements used in the Expected Credit Loss provision model, including general IT controls for key applications used by the Bank in estimating the Expected Credit Loss provision; • Assessed the Bank's significant accounting policies and ECL methodologies against the requirements of NZ IFRS 9 ; • Evaluated the appropriateness of the criteria used to determine when a Significant Increase in Credit Risk (SICR) has taken place; • Tested the completeness and accuracy of key inputs used in the collective provision model, including reconciling the gross balance of exposures in the model to source systems and reports; • For retail loans, we involved our technical specialists to develop an alternative comparison ECL model using the observable industry data relating to probability of default and loss given default. ECL model was comapred to the Bank's total collective provision to asses if the Bank's total collective provision was within an acceptable range; • For a sample of exposures, recalculated the Expected Credit Loss provision including validating key inputs against supporting documentation; • For a sample of exposures for which a 12-month Expected Credit Loss provision is recognised, reviewed the respective loan files in order to conclude on the appropriateness of the borrower's credit rating to assess whether, in our judgement, there is evidence of either significant increase in credit risk or impairment; • For loans identified as impaired, evaluated the sufficiency of the recorded provision based on expected recoveries, including an assessment of the accuracy of these expected recoveries; and • Assess the disclosures in the Disclosure Statement against the requirements of NZ IFRS 7.

Other information

The directors are responsible on behalf of the Banking Group for the other information. The other information comprises the information in the Disclosure Statement in accordance with Schedule 2 of the Order on pages 2 to 10 that accompanies the financial statements, supplementary information, and the audit report and the Climate Statement, which is expected to be made available to us after the date of the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be

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materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

When we read the Climate Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities for the consolidated financial statements (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy)

The directors are responsible on behalf of the Banking Group for the preparation and fair presentation of the consolidated financial statements in accordance with Clause 22 of the Order, NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible on behalf of the Banking Group for the preparation of supplementary information which fairly states the matters required to be disclosed under Schedules 2, 4, 7, 11 and 13 of the Order and which is prepared in accordance with any guidelines issued pursuant to Section 78(3) of the Banking (Prudential Supervision) Act 1989; any Conditions of Registration; and in accordance with the books and records of the Banking Group.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Banking Group for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy)

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements (excluding supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy) as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Bindi Shah
Partner
for Deloitte Limited
Auckland, New Zealand
27 March 2024

This audit report relates to the disclosure statements of Industrial and Commercial Bank of China Limited Auckland Branch and its subsidiaries (the 'Banking Group') for the year ended 31 December 2023 included on the Banking Group's website. The Directors are responsible for the maintenance and integrity of the Banking Group's website. We have not been engaged to report on the integrity of the Banking Group's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the disclosure statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these disclosure statements. 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 audited financial statements and related audit report dated 27 March 2024 to confirm the information included in the audited financial statements presented on this website.

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INDEPENDENT ASSURANCE REPORT

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

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

Conclusion

We have undertaken a limited assurance engagement on Industrial and Commercial Bank of China New Zealand Banking Group's ('the Banking Group') compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") which requires information prescribed in Schedule 9 of the Order relating to credit and market risk exposures and capital adequacy to be disclosed in its Disclosure Statement for the year ended 31 December 2023 ('the compliance requirements').

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes use to believe that the Baking Group's information relating to credit and market exposures and capital adequacy disclosed in note 37 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 year ended 31 December 2023.

Basis of conclusion

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

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

Directors' Responsibilities

The Directors of the Banking Group ('the Directors') are responsible on behalf of the Banking Group for compliance with the Order, including Clause 22 of the Order which requires information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the Banking Group's Disclosure Statement. This responsibility includes the identification of risks that may threaten compliance requirements identified above being met and the design, implementation and maintenance of internal controls relevant to mitigating those risks and monitoring ongoing compliance.

Our Independence and Quality Control

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

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

The firm applies Professional and Ethical Standard 3: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies and 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 the Banking Group's information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with the Clause 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 Banking Group's information relating to the credit and market risk exposures and capital adequacy, 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 Banking Group, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 22 of the Order in respect of the information relating to credit and market risk exposures and capital adequacy is likely to arise.

Our procedures included:

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

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

Inherent Limitations

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

A limited assurance engagement of the Banking Group's information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 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 directors for the purpose of establishing that these compliance requirements have been met. Our work has been undertaken so that we might state to the directors those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors of the Banking Group for our work, for this assurance report, or for the conclusions we have reached.

Deloitte Limited

Auckland, New Zealand
27 March 2024