INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Disclosure Statement

For the year ended 31 December 2023

Disclosure Statement

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

In this Disclosure Statement, unless the context otherwise requires:

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

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

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

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

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

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

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

The Bank 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 (New Zealand) Limited Corporate Information

Address for Service

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

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

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

Nature of Business

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

Details of Ultimate Parent Bank and Ultimate Holding Company

(a) Ultimate Parent Bank

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

The registered address of ICBC is:

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

(b) Ultimate Holding Company

ICBC is the Ultimate Holding Company of the Bank.

(c) Annual Report of ICBC

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

(d) Summary of restrictions on supporting the Bank

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

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

The Bank is a wholly-owned subsidiary of ICBC.

Subordination of Claims of Creditors

Priority of claims in the event of liquidation

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

Guarantee

Guarantee arrangements

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

A copy of the Deed of Guarantee between the Bank and ICBC is attached (Appendix 2).

Details of the guarantor (Parent)

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

The address for service of ICBC is:

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

As at 30 September 2023, the most recent publicly disclosed (audited) capital of ICBC was RMB 3,656,043 million (third quarter report - unaudited) (NZD 811,276 million), representing 18.79% of risk weighted exposure.

(b) Credit Ratings

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

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's 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

(c) Rating movement history

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

On 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.

Details of the guaranteed obligations (Parent)

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

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

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

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

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

Directors

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

The Board comprises:

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

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

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

Directors' Details

The name, occupation, technical or professional qualifications, country of residence, and directorships of each director of the Bank as at the date of this Disclosure Statement are as follows:

Independent Director, Chairman
Donald Thomas Brash
Consultant & Company Director
Ph.D. in Economics
Auckland
New Zealand

Directorships:
Troika Family Trust Nominees Limited, Brash Forestry Limited, Eljean's Investments Limited, Eljean's Orchard 2021 Limited, Southpark Property Investments No. 3 Limited, Southpark Property Holdings No.2 Limited, Kempton Holdings No. 4 Limited, Hobson's Pledge Trustee Limited.

Executive Director
Qian Hou
Executive Director
Master of Economics
Istanbul
Turkey

Directorships:
ICBC Turkey Bank Anonim Şirketi

Alternate Executive Director
Bin Liu
Alternate Executive Director & Acting Executive Officer
Master of Arts in Economics
Auckland
New Zealand

Directorships:
Nil

Independent Directors
Martin Philipsen
Company Director
BCA, C.A., C.M.A.
Auckland
New Zealand

Directorships:
Landmark Capital Limited, Te Toroa Limited, Philipsen Consulting Limited.

John Glenn Dalzell
Director
BPA, Registered Valuer
Auckland
New Zealand

Directorships:
China Machinery Engineering NZ Limited, Silk Road Construction (NZ) Limited, Silk Road Management Limited, Bare Essentials Limited, Dalzell Family Trust Limited, Space IM New Zealand Limited, Silk Road Funds Limited, Silk RM Limited, DU VAL BTR GP Limited

Non-Executive Directors
Changwen Nie
Senior Specialist, Accredited Non-executive Director to ICBC Subsidiaries of Strategy Management and Investors Relationship department at Industrial and Commercial Bank of China Limited.
Beijing
China

Directorships:
ICBC International Holdings Limited, ICBC Wealth Management Co. Ltd

Jianyu Chen
General Manager, ICBC Sydney Branch
Bachelor of Economics
Sydney NSW
Australia

Directorships:
Nil

Board Audit Committee
Members of the Board Audit Committee at the date of this Disclosure Statement were:

Martin Philipsen (Chair)	Independent Director
Donald Thomas Brash	Independent Director
Changwen Nie	Non-Executive Director

Board Remuneration Committee
Members of the Board Remuneration Committee at the date of this Disclosure Statement were:

John Glenn Dalzell (Chair)	Independent Director
Qian Hou	Executive Director
Jianyu Chen	Non-Executive Director

Board Risk Committee
Members of the Board Risk Committee at the date of this Disclosure Statement were:

Donald Thomas Brash (Chair)	Independent Director
Martin Philipsen	Independent Director
John Glenn Dalzell	Independent Director
Qian Hou	Executive Director
Changwen Nie	Non-Executive Director

Any document or communication may be sent to any Director at the Registered Office. The document or communication should be marked for the attention of that Director.

Policy for Avoiding and Dealing with Conflicts of Interest
The policy and current practice of the Board of Directors of the Bank for avoiding or dealing with conflicts of interest which may arise from the personal, professional or business interests of the Directors, or any of them, are that, where a Director's judgement could potentially be impaired because a conflict of interest exists between the Director's business and personal affairs and the business affairs of the Bank, then that Director must declare that the conflict of interest exists and leave the meeting for the duration of the Board's discussion and voting on the relevant matter.

The Companies Act 1993 requires that each Director cause to be entered in the interests register and disclose to the Board of the Bank:

- The nature and monetary value of the Director's interest in a transaction or proposed transaction if its monetary value is able to be quantified; or
- The nature and extent of the Director's interest in a transaction or proposed transaction if its monetary value is not able to be quantified.

Directors' Benefits
There is no transaction which any Director or immediate relative or close business associate of any Director has with the Bank or any member of the Banking Group which either has been entered into on terms other than those which would, in the ordinary course of business of the Bank or any member of the Banking Group, be given to any person of like circumstances or means, or could otherwise be reasonably likely to influence materially the exercise of their Director's duties.

Information pertaining to loans to and other transactions with Directors is disclosed in Note 27 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 (New Zealand) Limited

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

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

   For the purposes of this condition of registration, —

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

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

1A. That—

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

1C. That,

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

4. From 1 October 2023 the bank must comply with all the requirements set out in the following document: BS8 Connected Exposures 1 October 2023, except as noted below.

(i) The requirements in para A.3(1) to A.3(12) do not take effect until 1 April 2024.

(ii) From 1 October 2023 to 31 March 2024 the bank must apply the definition of connected person set out in 4(e) to 4(g) of the BS8 Connected Exposures document dated 1 October 2021.

4A. That the aggregate credit exposures of the banking group to all connected persons must not exceed the rating-contingent limit outlined in the following matrix at the end of each working day at all times.

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

Within the rating-contingent limit, credit exposures to non-bank connected persons must not exceed 15 percent of the banking group's tier 1 capital at the end of each working day at all times.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated October 2023.

4B. That full year disclosure statements are prepared on the basis that clause 6(2)(b), Schedule 14 of the Order does not apply.

For the purposes of this condition of registration, "Order" means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014, and "disclosure statement" means a disclosure statement to be prepared under the Order.

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

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

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

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

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
(f) the chairperson of the board of the bank must be independent;
(g) that the business and affairs of the bank are managed by, or under the direction or supervision of, the board of the bank.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the purposes of this condition,—

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

“SPV” means a person—

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

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

14. That—

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

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

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
   (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

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

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

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

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

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

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

In these conditions of registration,—

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

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

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

BPR document	**Version date**
BPR100: Capital adequacy	1 October 2021
BPR110: Capital definitions	1 October 2023
BPR120: Capital adequacy process requirements	1 October 2023
BPR130: Credit risk RWAs overview	1 J October 2023
BPR131: Standardised credit risk RWAs	1 October 2023
BPR132: Credit risk mitigation	1 October 2023
BPR133: IRB credit risk RWAs	1 October 2023
BPR134: IRB minimum system requirements	1 July 2021
BPR140: Market risk exposure	1 October 2021
BPR150: Standardised operational risk	1 July 2021
BPR151: AMA operational risk	1 July 2021
BPR160: Insurance, securitisation, and loan transfers	1 July 2021
BPR001: Glossary	1 October 2023

In conditions of registration 15 to 17,—

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

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

Changes in Condition of Registration:

With the effect from 1 October 2023, the Bank's conditions of registration have been updated to reflect references to:

(i) Updated versions of the Banking Prudential Requirements (BRPs) from the decisions considered on the Mutual Capital Instruments and Risk Weights Omnibus consultations and

(ii) Updated version of Banking Standards 8 (BS8 - Connected Exposure) which, among other things, definitions and removal of gross connected exposure limit percentages.

Pending Proceedings or Arbitration

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

Credit Ratings

ICBC (NZ) Rating Information

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

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 8 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 the outlook of ICBC (NZ) to negative from stable given Moody's has changed the parent bank's 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.

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

Rating Information

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

Fitch Ratings Ltd.	Standard & Poor's 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	142,335	84,145	57,071	66,706	83,334
Interest Expense	(104,782)	(49,321)	(22,401)	(37,182)	(48,847)
Net Interest Income	37,553	34,824	34,670	29,524	34,487
Net gains/(losses) on financial instruments at fair value through P&L	7,431	(6,406)	787	24,565	123
Fees and other income/(losses)	6,588	14,194	1,046	(18,965)	1,217
Total operating income	51,572	42,612	36,503	35,124	35,827
Operating expenses	(23,783)	(21,068)	(19,225)	(17,270)	(18,756)
Impairment provisioning on financial assets	(1,530)	1,804	(1,214)	(399)	14,919
Net profit/(loss) before taxation	26,259	23,348	16,064	17,455	31,990
Taxation expense	(7,429)	(6,599)	(4,538)	(4,917)	(9,016)
Net profit/(loss) after taxation	18,830	16,749	11,526	12,538	22,974
Net profit or loss attributable to non-controlling interests	-	-	-	-	-
Ordinary Dividend	-	-	-	-	-
Significant balance sheet items					
Total Assets	2,363,024	2,232,532	2,239,446	2,046,057	2,281,516
Total Liabilities	2,046,012	1,934,350	1,958,013	1,776,150	2,024,467
Total Equity	317,012	298,182	281,433	269,907	257,049
Asset Quality					
Individually Impaired Assets	1,410	1,445	5,436	5,905	8,492

The information presented in the above table has been extracted from audited financial statements that have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”).

Other Material Matters

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

Directors' Statements

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

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

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

2. During the year ended 31 December 2023:

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

This Disclosure Statement is dated 27 March 2024 and has been signed by Bin Liu and Donald Thomas Brash as the responsible persons for and on behalf of all the Directors (by Directors' resolution):

刘斌

Bin Liu
Alternate Executive Director

Donald T. Brash

Donald Thomas Brash
Chairman/Independent Director

Industrial and Commercial Bank of China (New Zealand) Limited

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	142,335	84,145
Interest Expense*	2	(104,782)	(49,321)
Net Interest Income		**37,553**	**34,824**
Net (losses)/gains on financial instruments at fair value through P&L	3	7,431	(6,406)
Fees and other Income	4	6,588	14,194
Total operating income		**51,572**	**42,612**
Operating expenses	5	(23,783)	(21,068)
Impairment provisioning on financial assets	6	(1,530)	1,804
Net profit before taxation		**26,259**	**23,348**
Taxation expense	7	(7,429)	(6,599)
Net profit after taxation		**18,830**	**16,749**
Other comprehensive income		-	-
Total comprehensive income		**18,830**	**16,749**

*All interest income and interest expense are calculated using the effective interest method.
The accounting policies and other notes (1-36) form part of, and should be read in conjunction with, these Financial Statements.

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Statement of Changes in Equity

Thousands of dollars	Note	Share Capital	Retained Earnings	Total
For the year ended 31 December 2023 (audited)				
Balance at 31 December 2022		233,540	64,642	298,182
Capital injection from shareholders		-	-	-
Net profit and other comprehensive income for the year		-	18,830	18,830
Total equity movement for the year		-	18,830	18,830
Balance at 31 December 2023	25	233,540	83,472	317,012
For the year ended 31 December 2022 (audited)				
Balance at 31 December 2021		233,540	47,893	281,433
Capital injection from shareholders		-	-	-
Net profit and other comprehensive income for the year		-	16,749	16,749
Total equity movement for the year		-	16,749	16,749
Balance at 31 December 2022	25	233,540	64,642	298,182

The accounting policies and other notes (1-36) form part of, and should be read in conjunction with, these Financial Statements.

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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	322,358	314,124
Due from banks and other financial institutions	10	29,999	40,000
Investment securities	12	232,522	188,726
Derivative financial assets	11,14	4,422	4,380
Loans and advances to customers	13,26	1,750,427	1,663,262
Right-of-use assets	17	5,178	6,424
Property, plant and equipment	16	960	1,002
Deferred tax assets	8	5,355	5,232
Other assets	18	11,803	9,382
Total assets		**2,363,024**	**2,232,532**
Liabilities			
Due to central banks and other financial institutions	19	1	1
Amounts due to related parties	20	642,429	729,485
Derivative financial liabilities	11,14	4,919	10,772
Deposits from customers	21	700,492	565,721
Certificates of deposit	22	57,293	87,794
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	2,399	2,707
Other liabilities	24	32,986	20,657
Total liabilities		**2,046,012**	**1,934,350**
Shareholder's equity			
Share capital	25	233,540	233,540
Retained earnings	25	83,472	64,642
Total shareholder's equity		317,012	298,182
Total shareholder's equity and liabilities		**2,363,024**	**2,232,532**
Total interest earning and discount bearing assets	28	2,306,695	2,207,393
Total interest and discount bearing liabilities	29	1,956,944	1,841,861

The accounting policies and other notes (1-36) 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:

刘斌

Bin Liu
Alternate Executive Director

Donald T Brash

Donald Thomas Brash
Chairman/Independent Director

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STATEMENT OF CASH FLOWS

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Cash flows from operating activities		
Interest income	134,426	79,524
Other income	8,128	12,458
Interest expense	(87,109)	(37,961)
Long-term lease payments	(1,695)	(1,505)
Variable and short-term lease	(15)	(8)
Personnel expenses	(17,512)	(15,329)
Other operating expenses`	(4,169)	(5,177)
Taxes paid	(7,860)	(5,568)
Net cash flows applied to operating activities before changes in operating assets and liabilities	**24,194**	**26,434**
Changes in operating assets and liabilities arising from cash flow movements:		
(Increase)/decrease in loans and advances to customers	(87,942)	(41,370)
Increase/(decrease) in deposits from customers	134,771	(33,545)
Increase/(decrease) in amounts due to related parties	116,577	(25,000)
Increase/(decrease) in other liabilities	(113)	498
(Increase)/decrease in amounts due from related parties	-	4,332
Increase/(decrease) in certificates of deposit	(30,501)	(105,339)
Net change in operating assets and liabilities	**132,792**	**(200,424)**
Net cash flows applied to operating activities	**156,986**	**(173,990)**
Cash flows applied to investing activities		
Purchase of property, plant and equipment	(306)	(682)
Purchase of investment securities	(83,491)	(12,354)
Proceeds from maturity of financial securities	39,265	17,354
Net cash flows applied to investing activities	(44,532)	4,318
Cash flows applied to financing activities		
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 applied to financing activities	89,413	(95,670)
Increase/(decrease) in cash and cash equivalents	201,867	(265,342)
Cash and cash equivalents at beginning of year	89,637	354,979
Cash and cash equivalents	**291,504**	**89,637**
Cash and cash equivalents at end of year comprised:		
Cash, cash equivalents and balances with central banks	322,358	314,124
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	(60,853)	(264,486)
Total cash and cash equivalents	**291,504**	**89,637**

The accounting policies and other notes (1-36) form part of, and should be read in conjunction with, these Financial Statements.

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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	**18,830**	**16,749**
Non cash movements:		
Unrealised fair value adjustments	(3,894)	3,435
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 disposal of fixed assets	-	1
Increase/(decrease) in allowance for impairment losses	4,679	(4,657)
Loss on written-off financial assets	-	2,858
Bad debts recovery	(3,149)	(5)
Unrealised foreign exchange gain/(loss)	(1,996)	1,235
(Increase)/decrease in deferred taxation	(123)	624
Amortisation of debt securities issued	135	(161)
Increase/(decrease) in operating assets and liabilities	**(2,066)**	**5,531**
(Increase)/decrease in interest receivable	(3,302)	(3,350)
(Decrease)/increase in interest payable	13,412	10,345
(Increase)/decrease in loans and advances to customers	(87,942)	(41,371)
Increase/(decrease) in deposits from customers	134,771	(33,545)
Increase/(decrease) in certificates of deposit	(30,501)	(105,339)
(Decrease)/increase in lease liabilities	(1,556)	(1,346)
Increase/(decrease) in other liabilities	(1,810)	(1,406)
Increase/(decrease) in amounts due to related parties	116,577	(25,000)
(Increase)/decrease in current taxation	(308)	407
(Increase)/decrease in other assets	881	3
(Increase)/decrease in amounts due from related parties	-	4,332
Net cash flows applied to operating activities	**156,986**	**(173,990)**

The accounting policies and other notes (1-36) form part of, and should be read in conjunction with, these Financial Statements.

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STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2023 (audited)

Thousands of Dollars	Balance at the beginning of the year	Net Cash flow	Non-cash changes: Amortisation	Non-cash changes: 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)

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

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Note 1 – Accounting Policies

(1) Reporting Entity

This Disclosure Statement has been issued by Industrial and Commercial Bank of China (New Zealand) Limited ("The Bank" or "ICBC (NZ)") for the year ended 31 December 2023 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). The Bank does not prepare group financial statements as the Bank does not have any subsidiaries. The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. The Bank was incorporated on 13 March 2013. The financial statements are for the twelve months ended 31 December 2023.

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Markets Conduct Act 2013, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended). They were approved for issue by the Directors on 27 March 2024.

The address of the Bank's registered office is Level 11, 188 Quay Street, Auckland 1010, New Zealand. The Bank provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

The Bank's 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, amounts due from banks and other financial institutions are treated as cash and cash equivalents as these are short-term highly liquid investments with original maturities of less than three months from the date of acquisition.

(3) Presentation Currency

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

(4) Critical accounting estimates and 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.
- Fair value of derivatives
- Deferred Taxation

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

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

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Note 1 – Accounting Policies (continued)

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

The Bank 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.

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

Deferred Taxation
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.

(5) 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 Bank 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 Bank 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 Bank 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 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.

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Note 1 – Accounting Policies (continued)

(vi) Outsourcing service fee
ICBC NZ Banking Group is operating under dual licence, ICBC (NZ) and Auckland Branch of ICBC. While management and most of the staff members (except for those only working on retail business) work for both entities, sharing the same work premises and infrastructure, proper cost allocation between the ICBC (NZ) and ICBC Auckland Branch is essential. To facilitate this, ICBC (NZ) and ICBC Auckland Branch signed a Share Services Agreement. All indirect costs are paid by ICBC (NZ), and allocate to the ICBC Auckland Branch through an outsourcing service fee. This fee is calculated using the Service Pricing method, which considers the revenue generated from services provided, and the Time Sharing method, which accounts for workload time spending (Time Sharing method). This ensure fair and accurate allocation of costs between the two entities.

(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 Bank'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 Bank 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 Bank to its customers based on the Bank's 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 Bank 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 profit or loss as incurred. Subsequently, they are measured at fair value with gains and losses recognised in profit or loss as they arise.

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Note 1 – Accounting Policies (continued)

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.

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 Bank 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.

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Note 1 – Accounting Policies (continued)

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:

- The rights to receive cash flows from the asset have expired; or
- The Bank 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 Bank has transferred substantially all the risks and rewards of ownership of the financial asset; or the Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 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:

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Note 1 – Accounting Policies (continued)

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;

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 Bank's approach leveraged the existing processes for the Bank'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 Bank has reviewed its ECL model, updated the macroeconomic indicators and associated forward-looking factors and other data. The Bank has introduced a new model for ECL for secured retail loans, details refer to page 24 and 29.

Criteria for determining significant increase in credit risk

At each reporting date, the Bank assesses whether or not the credit risk of the financial assets it holds has increased significantly since the initial recognition. The Bank 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 Bank 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 Bank 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 Bank on terms that the Bank 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.

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Note 1 – Accounting Policies (continued)

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.
In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank 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 Bank is using three scenarios that are probability weighted to determine ECL. For retail loans the benchmarks include scenarios, the Bank then applies judgement to the appropriateness to the modelled outcomes after considering its specific portfolio risk and the current and future economic environment.

The Bank's ECL allowance methodology requires the Bank 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 Bank 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 Bank'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:

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Note 1 – Accounting Policies (continued)

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%

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 Bank. 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 Bank 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.

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Note 1 – Accounting Policies (continued)

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

The Bank recognises right-of-use assets and lease liabilities for most leases on balance sheet. However, the Bank 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.

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 Bank'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
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 Bank's shareholders. Dividends for the year that are declared after the balance sheet date are addressed in the subsequent events note (if applicable).

(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 Bank 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 Bank. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Bank will present them at their present value.

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

The Bank has applied, where relevant, all new or revised accounting standards and interpretations effective for the 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.

(6) Comparative Financial Statements
Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These immaterial reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement comparative affected is: Statement of Comprehensive Income, Statement of Cash Flows, and Note 2 as at 31 December 2022.

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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	115,347	72,680
Government and local authority securities	13,694	4,896
Due from other financial institutions	5,974	1,564
Amounts due from related parties	172	36
Other securities	7,031	4,939
Cash and liquid assets	117	30
Total interest income	142,335	84,145
Interest expense		
Deposits from customers	31,994	13,351
Debt securities issued	33,507	20,451
Amounts due to related parties	35,154	14,344
Lease liabilities	140	158
Losses from derivative	3,987	1,017
Total interest expense	104,782	49,321

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	7,431	(6,406)
Total net gains/(losses) on financial instruments at fair value through profit or loss	7,431	(6,406)

Note 4 – Fees and other income/(losses)

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Commission and other fee income	483	182
Payment services fee income	818	534
Net foreign exchange gains/(losses)	(3,080)	4,259
Outsourcing service fee	8,367	9,219
Total other income	6,588	14,194

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Note 5 – Operating Expenses

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Auditor's remuneration:		
Audit of financial statements	145	133
Review of financial statements	30	25
Other assurance services	10	-
Fees paid to auditors	185	158
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	124	76
Donations	-	3
Directors' fees	340	340
Professional consulting fee	718	601
Building occupation costs	461	421
Promotion and marketing costs	557	406
Membership fee	180	192
Other operating expenses	3,036	2,960
Total other expenses	5,416	4,999
Total operating expenses	23,783	21,068

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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	Cash and cash equivalents	Total as at 31 December 2023
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	344	9,027	105	1	946	-	10,423
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	1,922	1,720	-	-	34	-	3,676
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	10,747	105	1	980	-	14,873

Audited 31 December 2022

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Cash and cash equivalents	Total as at 31 December 2022
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	2,677	5,843	80	-	253	-	8,853
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	420	-	-	-	-	-	420
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - Individual	17	904	-	-	-	-	-	921
Balance as at 31 December 2022	17	4,001	5,843	80	-	253	-	10,194

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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
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	5,843	-	-	-	5,843
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(1,720)	1,720	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	4,904	-	-	(3,149)	1,755
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Balance as at 31 December 2023	9,027	1,720	-	-	10,747
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

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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
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	253	-	-	-	253
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(34)	34	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	727	-	-	-	727
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023*	946	34	-	-	980
Total Balance at beginning of period	8,853	420	-	921	10,194
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(2,223)	2,223	-	-	-
Transfer to stage 3	-	(420)	-	420	-
Charge/(recovery) to statement of comprehensive income in current year	3,793	1,453	-	(3,716)	1,530
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Total Balance as at 31 December 2023*	10,423	3,676	-	774	14,873

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

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Note 6 – Impairment Allowance (continued)

Movement in provision for credit impairment	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	2,464	686	-	570	3,720
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(86)	86	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(recovery) to statement of comprehensive income in current year	305	334	-	(358)	281
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	2,677	420	-	904	4,001
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	(1)	-	-	12	11
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	5	5
Balance as at 31 December 2022	-	-	-	17	17
Corporate and institutional					
Balance at beginning of period	6,716	-	-	3,425	10,141
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	(873)	-	-	(567)	(1,440)
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	5,843	-	-	-	5,843
Investment securities					
Balance at beginning of period	37	-	-	-	37
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(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

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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	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	951	-	-	-	951
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	(698)	-	-	-	(698)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022*	253	-	-	-	253
Total Balance at beginning of period	10,170	686	-	3,995	14,851
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(86)	86	-	-	-
Transfer to stage 3	(6)	(686)	-	692	-
Charge/(recovery) to statement of comprehensive income in current year	(1,225)	334	-	(913)	(1,804)
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	5	5
Total Balance as at 31 December 2022	8,853	420	-	921	10,194

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

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Note 6 – Impairment Allowance (continued)

	Audited 31 December 2023				
Movement in corresponding gross carrying amounts by stages	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	1,110,020	-	-	-	1,110,020
Net drawdown/(repayment)	(27,613)	-	-	(3,149)	(30,762)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(110,545)	110,545	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Balance as at 31 December 2023	971,862	110,545	-	-	1,082,407
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

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Note 6 – Impairment Allowance (continued)

	Audited 31 December 2023				
Movement in corresponding gross carrying amounts by stages	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
Total Balance at beginning of period	1,899,396	1,088	-	1,445	1,901,929
Net drawdown/(repayment)	126,035	-	-	(4,272)	121,763
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(208,814)	208,814	-	-	-
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	1,816,617	208,814	-	1,410	2,026,841
Commitments and financial guarantee contracts					
Balance at beginning of period	210,269	-	-	-	210,269
Net increase/(decrease) facilities	47,404	-	-	-	47,404
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(4,083)	4,083	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2023	253,590	4,083	-	-	257,673

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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	1,111,495	-	-	5,211	1,116,706
Net drawdown/(repayment)	(1,475)	-	-	(2,353)	(3,828)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	1,110,020	-	-	-	1,110,020
Investment securities					
Balance at beginning of period	194,318	-	-	-	194,318
Net purchase/(disposal)	(5,512)	-	-	-	(5,512)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2022	188,806	-	-	-	188,806

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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
Total Balance at beginning of period	1,971,877	1,611	-	5,436	1,978,924
Net drawdown/(repayment)	(70,190)	-	-	(3,952)	(74,142)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(1,088)	1,088	-	-	-
Transfer to stage 3	(1,203)	(1,611)	-	2,814	-
Bad debts written off	-	-	-	(2,858)	(2,858)
Bad debts recovered	-	-	-	5	5
Total Balance as at 31 December 2022	1,899,396	1,088	-	1,445	1,901,929
Commitments and financial guarantee contracts					
Balance at beginning of period	333,512	-	-	-	333,512
Net increase/(decrease) facilities	(123,243)	-	-	-	(123,243)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2022	210,269	-	-	-	210,269

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Note 7 – Taxation

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Net profit before taxation	26,259	23,348
Tax calculated at a tax rate of 28%	7,352	6,537
(Under)/over provision from prior period	-	10
Temporary differences not previously recognised	-	-
Utilisation of tax losses previously unrecognised	-	-
Other permanent differences	77	52
Taxation charge as per the statement of comprehensive income	7,429	6,599
Represented by:		
Current tax	7,552	5,975
Deferred tax	(123)	624
Taxation charge as per the statement of comprehensive income	7,429	6,599
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	(1,310)	1,304
Other provisions and accruals	4	158
Other temporary differences	928	(962)
Amortisation of intangibles	-	-
Total temporary differences	(123)	624

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

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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	(2,707)	(2,300)
(Under)/over provision from prior period	19	(10)
Transfer from/(to) deferred tax	-	-
Current Year Tax charge	(7,571)	(5,965)
Refundable Tax credits	-	-
Tax paid in current year	7,860	5,568
Balance at end of the year	(2,399)	(2,707)
Deferred tax		
Balance at beginning of the year	5,232	5,856
Under/(over) provision from prior period	(19)	-
Temporary differences for the year	142	(624)
Balance at end of the year	5,355	5,232
Deferred tax assets		
Employee entitlements	263	355
Accelerated depreciation	196	359
Other provisions and accruals	14	18
Other temporary differences	718	1,646
Allowance for loan impairment	4,164	2,854
Total deferred tax assets	5,355	5,232
Deferred tax liabilities		
Accelerated depreciation	-	-
Other temporary differences	-	-
Intangible assets	-	-
Total deferred tax liabilities	-	-
Net deferred taxation	5,355	5,232

These tax benefits relate solely to temporary differences and are only available to the Bank if the income tax legislation's requirements are met, and the Bank 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	271,002	295,503
Call and overnight advances to financial institutions	51,356	18,621
Total cash and cash equivalents	322,358	314,124

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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 Bank 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	4,422	(1,431)	2,991
	4,422	(1,431)	2,991
Financial Liabilities			
Derivative financial instruments	4,919	(1,431)	3,488
	4,919	(1,431)	3,488

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	4,380	(3,229)	1,151
	4,380	(3,229)	1,151
Financial Liabilities			
Derivative financial instruments	10,772	(3,229)	7,543
	10,772	(3,229)	7,543

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

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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	1,082,407	1,110,020
Credit Cards	2	21
Allowance for impairment losses	(13,787)	(9,861)
Total net loans and receivables	1,750,427	1,663,262
Current	329,535	48,937
Non-Current	1,420,892	1,614,325

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	73,347	1,488	-
- Option Contracts	-	-	-
Total Foreign exchange derivatives	73,347	1,488	-
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	307,000	2,934	4,919
- Option Contracts	-	-	-
Total Interest Rate derivatives	307,000	2,934	4,919
Total		4,422	4,919

Audited 31 December 2022	Notional Principal Amount	Fair Value	
Thousands of dollars		Assets	Liabilities
Forward exchange derivatives			
- Forward foreign exchange contracts	-	-	-
- Swaps	78,698	-	512
- Option Contracts	-	-	-
Total Foreign exchange derivatives	78,698	-	512
Interest Rate derivatives			
- Forward Rate Agreements	-	-	-
- Swaps	370,000	4,380	10,260
- Option Contracts	-	-	-
Total Interest Rate derivatives	370,000	4,380	10,260
Total		4,380	10,772

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 company 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 Bank does not have any subsidiaries (31 December 2022: Nil).

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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

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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)
Amortisation	(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	-	-	-	-
Amortisation	(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 Bank’s lease portfolio:

Real estate leases

Head Office: The Bank leases its head office. In 2020, the Bank 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 Bank leases its branch office. In 2019, the Bank 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 Bank 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 Bank leases some office equipment. The non-cancellable period of the lease is 5 years, with fixed lease payments.

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Note 18 – Other Assets

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Other receivables	631	1,266
Commissions receivable	-	-
Interest receivable	11,172	8,116
Trade and other receivables	11,803	9,382
Current	11,562	9,006
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	-	-
Amount due from controlled entities of ultimate parent	-	-
Total amount due from related parties	-	-
Current	-	-
Non-Current	-	-
Amounts due to ultimate parent	642,426	728,550
Amount due to controlled entities of ultimate parent	3	935
Total amount due to related parties	642,429	729,485
Current	160,853	264,485
Non-Current	481,576	465,000

1. Nostro account balance held with parent and controlled entities of ultimate parent as at 31 December 2023 was NZ$5M (31 December 2022: NZ$4M). This is included in cash and cash equivalents balance. Parent includes ICBC Head Office and other branches. Refer to Note 27 for transactions with related parties.

2. ICBC Group, from time to time, transfers payments through the ICBC (NZ) vostro account. These payment transfers are to optimise the management of currency exposures on the ICBC Group's balance sheet and/or manage counterparty and country level exposures at financial reporting period ends, and/or to facilitate international payments to New Zealand correspondent banks. The balance of ICBC (NZ) Vostro account was NZ$61M as at 31 December 2023 (31 December 2022: NZ$264M).

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

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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

Note 22 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Certificates of deposit (CDs)	57,293	87,794
Other debt securities	599,732	475,180
Total debt securities issued	657,025	562,974
Current	357,278	88,226
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
				57,293	57,330

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
				87,794	87,794

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.

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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 %	Issue Date	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 %	Issue Date	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 2018	9 February 2023	35,000	35,000	35,000
					35,000	35,000

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Note 24 – Other Liabilities

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Employee entitlements Accrued	1,264	2,237
Accounts payable	752	451
Interest payable	28,945	15,534
Provision for impairment on loan commitments and financial guarantee contracts	980	252
Other payables and deferred revenue	1,045	2,183
Total other liabilities	32,986	20,657
Current	32,902	20,444
Non-Current	84	213

Note 25 – 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

All shares have equal voting rights and share equally in dividends and any profits on winding up. Shares do not have a par value.

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Note 26 – Asset Quality

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

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

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

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

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	1,082,407	1,759,440
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 written off	-	-	-	-
Amounts recovered		-	3,149	3,149
Deletions	(17)	(18)	(3,149)	(3,184)
Total individually impaired assets	-	1,410	-	1,410
Total gross loans and advances	2	681,805	1,082,407	1,764,214
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	5,843	8,940
Charge/(credit) to the statement of comprehensive income	-	(831)	4,904	4,073
Other movements	-	-	-	-
Balance at end of the year	-	2,266	10,747	13,013
Total provisions for impairment losses	-	3,040	10,747	13,787
Net balance at end of the year	2	678,765	1,071,660	1,750,427

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Note 26 – Asset Quality (continued)

Audited 31 December 2022	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	4	560,566	1,110,020	1,670,590
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	1,088	-	1,088
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	1,088	-	1,088
Individually impaired assets				
Balance at beginning of the year	-	225	5,211	5,436
Additions	17	1,203	-	1,220
Amounts written off	-	-	(2,858)	(2,858)
Deletions	5	-	-	5
Total individually impaired assets	(5)	-	(2,353)	(2,358)
Total gross loans and advances	17	1,428	-	1,445
Individually assessed provisions	21	563,082	1,110,020	1,673,123
Balance at beginning of the year				
Charge/(credit) to the statement of comprehensive income:	-	570	3,425	3,995
New provisions				
Reversals of previously recognised impairment losses	17	334	(567)	(216)
Amounts recovered	(5)	-	-	(5)
Amounts written off	5	-	-	5
Balance at end of the period	-	-	(2,858)	(2,858)
Collectively assessed provisions	17	904	-	921
Balance at beginning of the year				
Charge/(credit) to the statement of comprehensive income	1	3,150	6,716	9,867
Other movements	(1)	(53)	(873)	(927)
Balance at end of the year	-	-	-	-
Total provisions for impairment losses	-	3,097	5,843	8,940
Net balance at end of the year	17	4,001	5,843	9,861
	4	559,081	1,104,177	1,663,262

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

Undrawn balances on lending commitments to counterparties were $258M as at 31 December 2023 (31 December 2022: $210M).

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

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Note 27 – 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 Bank are defined as the Directors and members of the senior executive team of the Bank. 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

(ii) Key Management Personnel Deposits and Loans with the Bank/ 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 Bank issued credit cards to directors and senior management 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 Bank's ultimate parent company is the Industrial and Commercial Bank of China Limited, a Chinese incorporated bank (ICBC). ICBC is subject to regulatory oversight by the National Financial Regulatory Administration ("NFRA") under its rules and guidelines. ICBC is a New Zealand registered bank and its business activities in New Zealand is subject to regulatory oversight by the Reserve Bank of New Zealand.

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

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

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

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Note 27 – Transactions with Related Parties (continued)

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

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

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

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

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

(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	172	36
Subsidiaries of ultimate parent	-	-
Total interest income on amount due from related entities	172	36
Interest expense on amount due to related entities		
Ultimate parent	35,110	14,331
Subsidiaries of ultimate parent	44	13
Total interest expense on amount due to related entities	35,154	14,344
Other operating income		
Gain/(loss) on derivative contracts with ultimate parent	26	-
Gain/(loss) on derivative contracts with subsidiaries of ultimate parent	625	(8)
Other income/(expense)	8,366	9,219
Total other operating income/(expense)	**9,017**	**9,211**
Other operating expense		
Other operating expense paid to ultimate parent	92	121

Interest payable to parent as at 31 December 2023 was $8,401K (31 December 2022:$4,512K), and interest payable to subsidiaries of the ultimate parent was $3K (31 December 2022: $6K). This is included in interest payable balance and interest paid expense.

Parent includes ICBC Head Office and other branches.

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

As at 31 December 2023, there is no outstanding risk participation agreements. (31 December 2022: nil).

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Note 28 – Concentration of Credit Risk

The following table breaks down the Bank's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows. For further details on how credit risk is managed and for On Balance Sheet and Off Balance Sheet credit exposure details, refer to Note 36.

Thousands of dollars	**Audited 31 December 2023**	**Audited 31 December 2022**
Government	327,953	342,392
Finance (including banks)	318,061	243,946
Households	683,649	564,195
Transport and storage	32,032	41,012
Communications	18,389	18,370
Accommodation and food services	72,176	72,617
Construction	101,843	101,263
Property services	528,253	526,904
Agriculture	6,855	4,952
Forestry, fishing and mining	36,593	49,920
Health and community services	100,771	100,897
Retail and wholesale trade	65,184	60,557
Manufacturing	57,340	82,762
Education	16,099	19,143
Less: allowance for impairment provisioning	(13,893)	(9,941)
Total financial assets	2,351,305	2,218,989
Less: non-interest earning financial assets	(44,610)	(11,596)
Total interest earning and discount bearing financial assets	2,306,695	2,207,393

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	2,126,917	2,022,566
Overseas	224,388	196,423
Total financial assets	2,351,305	2,218,989

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Note 28 – 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	1,750,427	1,663,262
Derivative financial instruments	1,503	527
Trade and Other Receivables	-	-
Other financial assets	8,991	7,190
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	1,760,921	1,670,979
Cash and cash equivalents	322,358	314,124
Amounts due from related parties	-	-
Due from other financial institutions	29,999	40,000
Investment securities	232,522	188,726
Derivative financial instruments	2,919	3,853
Loans and advances to customers	-	-
Tax Receivable	-	-
Other financial assets	2,586	1,307
Total on Balance Sheet Credit Exposures	2,351,305	2,218,989
Off Balance Sheet Exposures	257,673	210,269
Total Off Balance Sheet Credit Exposures	257,673	210,269

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 Bank'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 29 – Concentration of Funding

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

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
New Zealand		
Transport and storage	21,105	38,929
Financing investment and insurance	764,755	550,421
Electricity, gas and water	-	-
Food and other manufacturing	986	3,313
Construction	15,566	17,390
Communication	136	300
Government, local authorities and services	52,285	51,063
Agriculture	11	36
Forestry	7,463	212
Health and community services	-	-
Personal and other services	-	-
Property and business services	29,170	23,478
Education	25,464	32,710
Retail and wholesale trade	3,019	3,448
Accommodation and food services	655	106
Art and recreational service	30,626	-
Other	3,344	25,544
Households	145,116	93,661
Overseas		
Amounts due to related parties	650,833	769,637
Financing investment and insurance (not including ICBC group)	198,576	245,683
Households	93,252	73,039
Other deposits	1,016	2,556
Total financial liabilities	2,043,378	1,931,526
Less: non-interest bearing financial liabilities	(86,434)	(89,665)
Total interest and discount bearing liabilities	1,956,944	1,841,861

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	4,919	10,772
Financial Investors	-	-
Certificates of deposit	57,293	87,794
Subordinated loans due to related parties	-	35,000
Debts securities issued	599,732	475,180
Amounts due to related parties	642,429	729,485
Lease liabilities	5,761	7,033
Other	32,751	20,540
Total financial liabilities	2,043,378	1,931,526

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

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Note 30 – Capital Commitments

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

Note 31 – Contingent Liabilities and Commitments

Thousands of dollars	Audited 31 December 2023	Audited 31 December 2022
Performance/financial guarantees issued on behalf of customers	-	-
Total contingent liabilities	-	-
Undrawn Commitments	257,673	210,269

Note 32 – Subsequent Events after Balance Sheet Date

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

Note 33 – Financial Risk Management

A. Introduction

The Bank 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 Bank 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 Bank'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 Bank is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Bank'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.

To enhance the credit risk management practices, the Bank also runs training programs periodically for credit officers at different levels.

Credit risk incorporates the risks associated with the Bank lending to customers who could be impacted by climate change or by changes to laws or regulations that pertain to climate change. ICBC (NZ) seeks to consider all identifiable credit risk when it considers new loans. As at the year ended 31 December 2023, the Bank’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 Bank also makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

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Note 33 – Financial Risk Management (continued)

The Bank enters into agreements with its counterparties for documenting over-the-counter derivative activities. Each of these master agreements 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 28 and Note 36 on the disclosure of concentration of credit risk of counterparties by geographical and sector classifications and the maximum On-balance sheet credit risk exposure and Off-balance sheet credit risk exposure.

(i) Credit exposure to individual counterparties

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

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

Peak End of Day Credit Exposures	Audited During the 6 months period ended 31 December 2023 Number of Bank Counterparties			Audited During the 6 months period ended 31 December 2022 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	1	-	-	2	-	-
15% - 19%	1	-	-	-	-	-
20% - 24%	1	-	-	-	-	-
25% - 29%	1	-	-	1	-	-
30% - 34%	-	-	-	-	-	-
35% - 39%	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-
65% - 70%	1	-	-	-	-	-

Peak End of Day Credit Exposures	Audited During the 6 months period ended 31 December 2023 Number of Other Counterparties			Audited During the 6 months period ended 31 December 2022 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	3	-	-	6
15% - 19%	-	-	12	-	-	8
20% - 24%	1	-	1	1	-	3
25% - 29%	-	-	1	-	-	2
30% - 34%	-	-	2	-	-	2
35% - 39%	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 64%	-	-	-	-	-	-
65% - 70%	-	-	-	-	-	-

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Note 33 – Financial Risk Management (continued)

Credit Exposures as at Reporting Date	Audited As at 31 December 2023 Number of Bank Counterparties			Audited As at 31 December 2022 Number of Bank Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	4	-	-	2	-	-
15% - 19%	-	-	-	-	-	-
20% - 24%	1	-	-	-	-	-
25% - 29%	-	-	-	1	-	-
30% - 34%	-	-	-	-	-	-
35% - 39%	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 65%	-	-	-	-	-	-

Credit Exposures as at Reporting Date	Audited As at 31 December 2023 Number of Other Counterparties			Audited As at 31 December 2022 Number of Other Counterparties		
Percentage of Common Equity Tier One Capital	"A" Rated	"B" Rated	Unrated	"A" Rated	"B" Rated	Unrated
10% - 14%	-	-	2	-	-	4
15% - 19%	-	-	13	-	-	7
20% - 24%	1	-	-	1	-	4
25% - 29%	-	-	2	-	-	-
30% - 34%	-	-	1	-	-	2
35% - 39%	-	-	-	-	-	-
40% - 44%	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-
50% - 54%	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-
60% - 65%	-	-	-	-	-	-

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

The Bank had no central government, central bank, supranational or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregated credit exposure, as at 31 December 2023, and peak end-of-day aggregate credit exposure, for the six months ended 31 December 2023, equalled or exceeded 10% of the Bank's Common Equity Tier One Capital.

These calculations are gross and do not include any individually assessed provisions.

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Note 33 – Financial Risk Management (continued)

(ii) Credit exposures to connected persons

The Reserve Bank defines connected persons to be other members of the ICBC Group and Directors of the Bank. Credit exposures to connected persons are based on actual credit exposures rather than internal limits. The information on credit exposure to connected persons has been derived in accordance with the Reserve Bank of New Zealand's Connected Exposures Policy (BS8). Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One Capital of the Bank has been derived by determining the maximum end-of-day aggregate amount of credit exposure over the relevant accounting period and then dividing that amount by the Bank's Tier One Capital as at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 40%. There have been no changes to the limit during the period. Within the rating-contingent limit there is a sub-limit of 15% of tier one capital that applies to the aggregate credit exposure to non-bank connected persons. The aggregate credit exposures below have been calculated on a gross basis, net of individual credit impairment allowances and excludes advances to connected persons of a capital nature. There are no individual credit impairment allowances against credit exposures to connected persons nor are there any contingent exposures arising from risk lay-off arrangements to connected persons in respect of credit exposures to counterparties (excluding counterparties that are connected persons) as at 31 December 2023 in relation to the Bank's Banking Group.

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2023 $'000	Audited During the 12 months period ended 31 December 2022 $'000
Credit exposures to connected persons	16,703	26,326
As a percentage of Tier One Capital of the Bank	5.36%	8.99%

Credit Exposures as at Reporting Date	Audited As at 31 December 2023 $'000	Audited As at 31 December 2022 $'000
Credit exposures to connected persons	5,140	4,933
As a percentage of Tier One Capital of the Bank	1.65%	1.68%

Peak End of Day Credit Exposures	Audited During the 12 months period ended 31 December 2023 $'000	Audited During the 12 months period ended 31 December 2022 $'000
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

Credit Exposures as at Reporting Date	Audited As at 31 December 2023 $'000	Audited As at 31 December 2022 $'000
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

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Note 33 – 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 Bank manages its liquidity risk through the Treasury Department and aims at:
1. Optimising the structure of assets and liabilities;
2. Maintaining the stability of the deposit base;
3. Projecting cash flows and evaluating the level of current assets; and
4. Maintaining an efficient internal fund transfer mechanism/agreement with the Parent Bank for liquidity.

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

Accrued interest within the other financial 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	61,374	7,887	129,990	519,438	-	718,689
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	64,231	296,830	353,597	17,273	-	731,931
Certificates of deposit	-	50,000	10,000	-	-	60,000
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	1,703	-	-	2,197
Total financial liabilities	125,606	563,794	612,957	860,271	789	2,163,417
Derivative cash flows						
Inflows from derivatives	-	75,106	5,211	14,930	3,279	98,526
Outflows from derivatives	-	(75,375)	(5,619)	(14,851)	(3,264)	(99,109)
Total	-	(269)	(408)	79	15	(583)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	257,673	-	-	-	-	257,673
Total	257,673	-	-	-	-	257,673

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Note 33 – 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	264,871	2,600	16,405	494,416	-	778,292
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	63,947	224,370	286,301	6,566	-	581,184
Certificates of deposit	-	90,000	-	-	-	90,000
Subordinated loans due to related parties	-	35,787	-	-	-	35,787
Debt securities issued	-	5,363	17,520	493,298	-	516,181
Lease liabilities	-	394	1,187	5,028	789	7,398
Other financial liabilities	-	594	2,758	-	-	3,352
Total financial liabilities	328,819	359,108	324,171	999,308	789	2,012,195
Derivative cash flows						
Inflows from derivatives	-	80,373	7,600	15,046	5,405	108,424
Outflows from derivatives	-	(82,297)	(9,349)	(16,574)	(5,375)	(113,595)
Total	-	(1,924)	(1,749)	(1,528)	30	(5,171)
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	210,269	-	-	-	-	210,269
Total	210,269	-	-	-	-	210,269

Liquidity portfolio management

Thousands of dollars	**Audited 31 December 2023**	**Audited 31 December 2022**
Cash, cash equivalents and balances with central banks	322,358	314,124
Due from banks and other financial institutions	29,999	40,000
Investment securities	232,522	188,726
Total liquidity portfolio	**584,879**	**542,850**

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Note 33 – Financial Risk Management (continued)

D. Interest Rate Risk

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

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

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

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

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	42,663	279,695	-	-	-	-	322,358
Amounts due from related parties	-	-	-	-	-	-	-
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	4,422	-	-	-	-	-	4,422
Loans and advances to customers	(13,787)*	1,180,376	153,313	256,894	162,387	11,244	1,750,427
Other financial assets	11,418	-	-	-	-	159	11,577
Total financial Assets	44,610	1,580,071	159,314	282,794	217,857	66,659	2,351,305
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	542,429	100,000	-	-	-	642,429
Derivative financial liabilities	4,919	-	-	-	-	-	4,919
Deposits from customers	48,764	302,517	138,258	195,928	10,939	4,086	700,492
Certificates of deposit	-	47,926	-	9,367	-	-	57,293
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	32,751	-	-	-	-	-	32,751
Total financial liabilities	86,434	1,392,621	338,242	205,321	11,995	8,765	2,043,378
On-balance sheet gap	(41,824)	187,450	(178,928)	77,473	205,862	57,894	307,927
Net derivative notional principals	-	(100,000)	100,000	-	-	-	-
Net effective interest rate gap	(41,824)	87,450	(78,928)	77,473	205,862	57,894	307,927

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

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Note 33 – Financial Risk Management (continued)

Audited 31 December 2022	Not interest-bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	8,819	305,305	-	-	-	-	314,124
Amounts due from related parties	-	-	-	-	-	-	-
Due from banks and other financial institutions	-	40,000	-	-	-	-	40,000
Investment securities	(80)*	-	15,354	20,011	51,906	101,535	188,726
Derivative financial assets	4,380	-	-	-	-	-	4,380
Loans and advances to customers	(9,861)*	1,194,463	149,319	183,358	132,524	13,459	1,663,262
Other financial assets	8,338	-	-	-	-	159	8,497
Total financial Assets	11,596	1,539,768	164,673	203,369	184,430	115,153	2,218,989
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	469,485	160,000	-	100,000	-	729,485
Derivative financial liabilities	10,772	-	-	-	-	-	10,772
Deposits from customers	58,353	226,319	133,720	141,357	4,493	1,479	565,721
Certificates of deposit	-	87,794	-	-	-	-	87,794
Subordinated loans due to related parties	-	35,000	-	-	-	-	35,000
Debt securities issued	-	375,234	-	-	99,946	-	475,180
Lease liabilities	-	-	-	-	26	7,007	7,033
Other financial liabilities	20,540	-	-	-	-	-	20,540
Total financial liabilities	89,665	1,193,833	293,720	141,357	204,465	8,486	1,931,526
On-balance sheet gap	(78,069)	345,935	(129,047)	62,012	(20,035)	106,667	287,463
Net derivative notional principals	-	(100,000)	-	-	-	100,000	-
Net effective interest rate gap	(78,069)	245,935	(129,047)	62,012	(20,035)	206,667	287,463

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

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Note 33 – 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 Bank 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	322,358	(8)	8	(8)	8
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	29,999	-	-	-	-
Investment securities	232,522	(635)	635	(635)	635
Derivative financial assets	4,422	(75)	328	(75)	328
Loans and advances to customers	1,750,427	(10,495)	10,495	(10,495)	10,495
Other financial assets	11,577	-	-	-	-
Total financial assets	2,351,305	(11,213)	11,466	(11,213)	11,466
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	642,429	3,967	(3,967)	3,967	(3,967)
Derivative financial liabilities	4,919	328	75	328	75
Deposits from customers	700,492	-	-	-	-
Certificates of deposit	57,293	-	-	-	-
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	32,751	-	-	-	-
Total financial liabilities	2,043,378	8,546	(8,143)	8,546	(8,143)

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Note 33 – 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	314,124	(8)	8	(8)	8
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	40,000	-	-	-	-
Investment securities	188,726	-	-	-	-
Derivative financial assets	4,380	405	(360)	405	(360)
Loans and advances to customers	1,663,262	(10,150)	10,150	(10,150)	10,150
Other financial assets	8,497	-	-	-	-
Total financial assets	2,218,989	(9,753)	9,798	(9,753)	9,798
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	729,485	2,582	(2,582)	2,582	(2,582)
Derivative financial liabilities	10,772	360	(404)	360	(404)
Deposits from customers	565,721	-	-	-	-
Certificates of deposit	87,794	-	-	-	-
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	20,540	-	-	-	-
Total financial liabilities	1,931,526	6,134	(6,178)	6,134	(6,178)

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Note 33 – Financial Risk Management (continued)

E. Foreign Currency Risk

Foreign exchange risk is the risk that the Bank would be adversely impacted from unfavourable movements in foreign currency rates. The Bank manages its currency risk through various methods including limitation management and risk hedging to hedge foreign exchange risk, and performing currency risk sensitivity analysis and stress testing regularly. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at year end. Included in the table are the Bank'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	46,644	175	47,892
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	9,263	-	95,542	-	104,805
Other financial assets	-	24	-	72	-	96
Total financial assets	18	9,786	556	142,258	175	152,793
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	-	31,576	-	31,576
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	-	-	1	1,556	-	1,557
Total financial liabilities	-	27	660	68,687	65	69,439
Net on balance sheet financial position	18	9,759	(104)	73,571	110	83,354
Net derivative position	-	(8,734)	-	(63,152)	-	(71,886)
Total open position	18	1,025	(104)	10,419	110	11,468

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Note 33 – 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	11,823	209	13,203
Amounts due from related parties	-	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	13,233	4	87,207	-	100,444
Other financial assets	-	26	-	15	-	41
Total financial assets	17	13,810	607	99,045	209	113,688
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	-	-	-	473	-	473
Total financial liabilities	-	198	585	27,064	104	27,951
Net on balance sheet financial position	17	13,612	22	71,981	105	85,737
Net derivative position	-	(15,999)	-	(63,172)	-	(79,171)
Total open position	17	(2,387)	22	8,809	105	6,566

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Note 33 – 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	47,892	(4,789)	4,789	(4,789)	4,789
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-
Investment securities	-	-	-	-	-
Loans and advances to customers	104,805	(10,480)	10,480	(10,480)	10,480
Other financial assets	96	(10)	10	(10)	10
Total financial assets	152,793	(15,279)	15,279	(15,279)	15,279
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	31,576	3,158	(3,158)	3,158	(3,158)
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	1,557	156	(156)	156	(156)
Total financial liabilities	69,439	6,944	(6,944)	6,944	(6,944)
Net derivative position	(71,886)	7,189	(7,189)	7,189	(7,189)
Total open position	11,468	(1,146)	1,146	(1,146)	1,146

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Note 33 – 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	13,203	(1,320)	1,320	(1,320)	1,320
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	-	-	-	-	-
Investment securities	-	-	-	-	-
Loans and advances to customers	100,444	(10,044)	10,044	(10,044)	10,044
Other financial assets	41	(4)	4	(4)	4
Total financial assets	113,688	(11,368)	11,368	(11,368)	11,368
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	473	47	(47)	47	(47)
Total financial liabilities	27,951	2,795	(2,795)	2,795	(2,795)
Net derivative position	(79,171)	7,917	(7,917)	7,917	(7,917)
Total open position	6,566	(656)	656	(656)	656

F. Operational Risk

The Bank 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 Bank as well as other counterparties with whom the Bank deals under day to day operations. The Bank's policy is to ensure that the risk of losses from operational failure is minimised. To this purpose the Bank 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 Bank did not have any equity risk exposure as at balance date 31 December 2023 (31 December 2022: nil).

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Note 33 – 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	322,358	-	-	322,358
Amounts due from related parties	-	-	-	-
Due from banks and other financial institutions	29,999	-	-	29,999
Investment securities	232,522	-	-	232,522
Derivative financial assets	-	4,422	-	4,422
Loans and advances to customers	1,750,427	-	-	1,750,427
Other financial assets	11,577	-	-	11,577
Total financial assets	2,346,883	4,422	-	2,351,305

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	642,429	-	-	642,429
Derivative financial liabilities	-	4,919	-	4,919
Deposits from customers	700,492	-	-	700,492
Certificates of deposit	57,293	-	-	57,293
Subordinated loans due to related parties	-	-	-	-
Debt securities issued	599,732	-	-	599,732
Lease liabilities	5,761	-	-	5,761
Other financial liabilities	32,751	-	-	32,751
Total financial liabilities	2,038,459	4,919	-	2,043,378

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Note 33 – 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	314,124	-	-	314,124
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	-	4,380	-	4,380
Loans and advances to customers	1,663,262	-	-	1,663,262
Other financial assets	8,497	-	-	8,497
Total financial assets	2,214,609	4,380	-	2,218,989

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	729,485	-	-	729,485
Derivative financial liability	-	10,772	-	10,772
Deposits from customers	565,721	-	-	565,721
Certificates of deposit	87,794	-	-	87,794
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	20,540	-	-	20,540
Total financial liabilities	1,920,754	10,772	-	1,931,526

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Note 33 – 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.

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Note 33 – 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	322,358	-	322,358	-	322,358
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	29,999	-	29,999	-	29,999
Investment securities	232,522	228,565	-	-	228,565
Derivative financial assets	4,422	-	4,422	-	4,422
Loans and advances to customers	1,750,427	-	1,749,068	-	1,749,068
Other financial assets	11,577	-	11,577	-	11,577
Total financial assets	2,351,305	228,565	2,117,424	-	2,345,989
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	642,429	-	642,429	-	642,429
Derivative financial liabilities	4,919	-	4,919	-	4,919
Deposits from customers	700,492	-	700,724	-	700,724
Certificates of deposit	57,293	-	57,330	-	57,330
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	32,751	-	32,751	-	32,751
Total financial liabilities	2,043,378	-	2,043,647	-	2,043,647

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	314,124	-	314,124	-	314,124
Amounts due from related parties	-	-	-	-	-
Due from banks and other financial institutions	40,000	-	40,000	-	40,000
Investment securities	188,726	178,524	-	-	178,524
Derivative financial assets	4,380	-	4,380	-	4,380
Loans and advances to customers	1,663,262	-	1,658,160	-	1,658,160
Other financial assets	8,497	-	8,497	-	8,497
Total financial assets	2,218,989	178,524	2,025,161	-	2,203,685
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	729,485	-	725,026	-	725,026
Derivative financial liabilities	10,772	-	10,772	-	10,772
Deposits from customers	565,721	-	565,509	-	565,509
Certificates of deposit	87,794	-	87,794	-	87,794
Subordinated loans due to related parties	35,000	-	35,000	-	35,000
Debt securities issued	475,180	-	471,627	-	471,627
Lease liabilities	7,033	-	7,033	-	7,033
Other financial liabilities	20,540	-	20,540	-	20,540
Total financial liabilities	1,931,526	-	1,923,302	-	1,923,302

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Note 34 – Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date the Bank was not involved in:

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

Note 35 – Risk Management Policies

The Bank's objective is to appropriately manage all the risks that arise from its activities. A review of the risk appetite of the Bank 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 Bank.

A. Specific Areas of Risk Management
The Bank'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 33 of the financial statements. ICBC (NZ) adopts the Standardised approach to credit risk, Standardised approach to market risk, and Standardised approach to operational risk.

B. Role of the Board and its Committees
The Board has responsibility for setting the Bank's risk appetite, governance, and formulating risk management policy. The Board is assisted in meeting this responsibility through the operation of three committees responsible for various facets of risk. Each committee can advise and make recommendations however decision making rests with the Board of Directors.

C. Audit Committee
The Board through the Audit Committee is primarily responsible for:

1. Overseeing the effectiveness and integrity of the Bank's financial controls; financial reporting process; and internal audit functions;
2. Providing assurance on the governance and controls covering key business processes;
3. Ensuring the quality and independence of the external audit process;
4. Reviewing the annual audit plan with the external auditor;
5. Reviewing audit findings;
6. Reviewing interim financial information and the annual financial statements;
7. Reviewing accounting policies;
8. Overseeing the legal compliance and statutory responsibilities of the Bank;
9. Reviewing the appointment of the external auditor and their fees;
10. Reviewing the internal auditors and their activities;
11. Ensuring that recommendations highlighted in internal audit reports are actioned by management; and
12. Supervising special investigations when requested by the Board.

D. Risk Committee
The Board through the Risk Committee is primarily responsible for:

1. Overseeing the effectiveness and integrity of the Financial, Operational, Conduct, and Reputational risk management framework and risk reporting in the context of the approved strategic objectives and risk appetite of the Bank;
2. Reviewing the appropriate Financial, Operational and Reputational risk appetite of the Bank;
3. Reviewing the Financial, Operational and Reputational risk management policies, limits, and delegations of the Bank;
4. Monitoring management's operation within the approved risk management programme including the identification and evaluation of Financial, Operational and Reputational risks, the establishment of plans to manage and mitigate those risks and the monitoring of their implementation;
5. Reviewing and monitoring the Anti-Money Laundering/Counter Financing of Terrorism Compliance Programme, policies and risks of the Bank.

E. Remuneration Committee
The Board through the Appointment and Remuneration Committee is primarily responsible for:

1. Overseeing the effectiveness and integrity of human resource policies of the Bank;
2. Providing governance oversight and assurance on the controls surrounding Executive management and Board human resource processes, including appointments, remuneration and performance processes;
3. Reviewing the people risk management policies, limits, and delegations of the Bank;
4. Reviewing and making annual recommendations to the Board regarding the performance of the CEO, CEO's assessment report of other senior executives who report directly to the CEO and any other person considered to be in a role with material influence;
5. Reviewing the recruitment policy of the Bank and undertaking an assessment of persons captured by the policy to ensure integrity of the recruitment process.

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Note 35 – Risk Management Policies (continued)

F. Internal Audit Function
The Bank utilises the internal audit function as a control measure to enable both Board and senior management of the Bank to monitor and review the Bank on an ongoing basis. The internal audit function of the Bank is part of ICBC's policy to ensure that all ICBC branches and subsidiaries have appropriate systems and procedures in place and comply with all applicable home and host country regulations.

The Bank establishes the independent internal audit department, on the basis of abiding by the local regulatory requirements and group policies, conducting the internal audit supervision and evaluation of the institution independently, objectively and effectively, and reports internal audit work timely and normatively, and promotes the rectification work of the audit findings. It assists the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control system. The internal audit department follows a risk based approach in scheduling audits of all activities of the Bank over a 3-year cycle. It reports the audit work and results 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).

G. Measurement of Impaired Assets
ICBC (NZ) follows the guidance of NZ IFRS 9 and reviews the calculations of the individual and collective allowance for impaired assets, on a monthly basis. The calculation of recoverable amounts is primarily based on the future potential recoverable cashflows resulted from the impaired assets. The estimated impairment loss are assessed based on the difference between the assets carrying amount and the estimated future cashflows discounted to their present value.

H. Capital Adequacy
The Board and senior management undertake capital planning, in accordance with the Bank's Internal Capital Adequacy Assessment Policy. As part of the capital planning process, the Board reviews:

1. The current capital requirements of the Bank;
2. The targeted and sustainable capital in terms of business strategy and risk appetite; and
3. Future capital planning (with a three year outlook).

The capital plan is revised on an annual basis or more regularly, if necessary, to meet the Bank's obligations under the Banking Prudential Requirements ("BPR"). For further information see Note 36.

I. Credit Risk Mitigation and Collateral
The Bank 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 Bank 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 Bank or valuation agents identified by the Bank.

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

As at 31 December 2023, the gross carrying amount of corporate loans amounted to NZD 1,082M (31 December 2022: NZD 1,110M), of which credit exposure covered by collateral amounted to NZD 741M (31 December 2022: NZD 743M). Retail loans are fully collateralised by residential properties. As at 31 December 2023, the gross carrying amount of retail loans amounted to NZD 682M (31 December 2022: NZD 563M).

Note 36 – Capital Adequacy

(a) Issued Capital
The Bank had 233,539,975 fully paid up ordinary shares (tier one capital) issued at NZ $1 per share as at 31 December 2023.

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

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

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Note 36 – Capital Adequacy (continued)

The ordinary shares issuance details is shown as below:

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

(b) Other Classes of Capital Instrument
As at 31 December 2023, the 5-year subordinated loan of NZ$35m ("the loan") issued by the Bank to ICBC Head Office has matured and fully repaid (Note 23). The subordinated loan had a recognised amount of NZ$7M as at 31 December 2022.

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

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

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

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

(c) Tier one and two Capital

Thousands of dollars	**31 December 2023**	**31 December 2022**
Tier one capital		
Common Equity Tier one capital		
Issued and fully paid up share capital	233,540	233,540
Retained earnings	83,472	64,642
Accumulated other comprehensive income and other disclosed reserves	-	-
Interest from issue of ordinary shares	-	-
Less:	-	-
Goodwill and other intangible assets	-	-
Regulatory adjustments	-	-
Deferred tax assets	(5,355)	(5,232)
Total common equity tier one capital	311,657	292,950
Additional Tier one capital		
High-quality capital	-	-
Instruments issued	-	-
Share premium from issue of instruments	-	-
Associated retained earnings	-	-
Less: Regulatory adjustments	-	-
Total additional tier one capital	-	-
Total tier one capital	311,657	292,950
Tier two capital		
Subordinated loans due to related parties	-	7,000
Share premium from issue of instruments	-	-
Revaluation reserves	-	-
Foreign currency translation reserves	-	-
Eligible impairment allowance in excess of expected loss	-	-
Less: Regulatory adjustments	-	-
Total tier two capital	-	7,000
Total capital	311,657	299,950

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Note 36 – Capital Adequacy (continued)

(d) Credit Risk

31 December 2023 **Calculation of on-balance-sheet exposures**	Total exposure after credit risk mitigation $'000	Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	277,001	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	50,331	20%	10,066	805
Banks rating grade 1	213	20%	43	3
Banks rating grade 2 (≤3 months)	56,006	20%	11,201	896
Banks rating grade 2 (>3 months)	244,203	50%	122,102	9,768
Banks rating grade 3 (≤3 months)	-	20%	-	-
Banks rating grade 3 (>3 months)	7,884	50%	3,942	315
Banks rating grade 4 (≤3 months)	-	50%	-	-
Banks rating grade 4 (>3 months)	4,763	100%	4,763	381
Banks unrated (≤3 months)	-	20%	-	-
Banks unrated (>3 months)	-	50%	-	-
Corporate-without recognised mitigation	1,016,151	100%	1,016,151	81,292
Corporate-secured by collateral	-	20%	-	-
Corporate-guaranteed	-	100%	-	-
Residential mortgages (owner occupied) not past due -LVR up to 80%.	339,788	35%	118,926	9,514
Residential mortgages (investment) not past due -LVR up to 80%.	338,982	40%	135,593	10,847
Residential mortgages not past due -LVR over 80% less than 90% (owner occupied)	-	50%	-	-
Residential mortgages not past due -LVR over 80% less than 90% (Investment)	-	75%	-	-
Past due residential mortgages	(5)	100%	(5)	-
Other past due assets (impairment allowance is equal or greater than 20% of outstanding amount of the loan)	-	100%	-	-
Other past due assets (impairment allowance is less than 20% of outstanding amount of the loan)	-	150%	-	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other assets	27,707	100%	27,707	2,217
Total on balance sheet exposures after credit risk mitigation	2,363,024	-	1,450,489	116,038

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Note 36 – Capital Adequacy (continued)

31 December 2023 **Calculation of off-balance-sheet exposures**	Total exposure $'000	Credit Conversion Factor %	Credit equivalent amount $'000	Average Risk weight %	Risk weighted exposure $'000	Minimum Pillar 1 capital requirement $'000
Direct credit substitute	-	100%	-	100%	-	-
Asset sale with recourse	-	100%	-	100%	-	-
Forward asset purchase	-	100%	-	100%	-	-
Commitment with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	100%	-	-
Revolving underwriting facility	-	50%	-	100%	-	-
Performance-related contingency	-	50%	-	100%	-	-
Trade-related contingency	-	20%	-	100%	-	-
Placements of forward deposits	-	100%	-	100%	-	-
Other commitments where original maturity is more than one year	226,339	50%	113,170	100%	113,170	9,053
Other commitments where original maturity is more than one year (Public Sector)	29,994	50%	14,997	20%	2,999	240
Other commitments where original maturity is less than or equal to one year	360	20%	72	100%	72	6
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	100%	-	-
Counterparty credit risk						
(a) Foreign exchange contracts	73,347	N/A	2,221	20%	444	35
(b) Interest rate contracts	307,000	N/A	4,319	60%	3,257	261
(c) Credit Valuation Adjustment	-	-	-	-	5,997	480
(d) Other - OTC, etc.	-	0%	-	100%	-	-
Total off-balance sheet exposures	637,040	-	134,779	-	125,939	10,075

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Note 36 – Capital Adequacy (continued)

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

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Note 36 – Capital Adequacy (continued)

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

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

(e) 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

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Note 36 – Capital Adequacy (continued)

(f) Reconciliation of residential mortgage-related amounts

Thousands of dollars	31 December 2023	31 December 2022
Residential mortgage loans (as disclosed in Note 6,13)		
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

(g) Credit risk mitigation

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

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

(h) Operational risk capital requirement

31 December 2023

Thousands of dollars	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	111,050	8,884

31 December 2022

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

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Note 36 – Capital Adequacy (continued)

(i) Market Risk

Market risk exposures have been calculated in accordance with the methodology detailed in BPR140 of the RBNZ's Banking Prudential Requirements, and schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended). 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 capital charges		Peak end-of-day capital charges	
Thousands of dollars	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	52,263	4,181	62,300	4,984
Foreign currency risk	11,588	927	14,288	1,143
Equity risk	-	-	-	-
Total capital requirements	63,851	5,108	76,588	6,127

31 December 2023			
Thousands of dollars	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital Requirement
Total credit risk + equity	3,000,064	1,576,440	126,113
Operational risk	-	111,050	8,884
Market risk	-	63,851	5,108
Total	3,000,064	1,751,341	140,105

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

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

Capital ratios

Regulatory Capital Ratios	**Regulatory Minimum**	**31 December 2023**	**31 December 2022**
Common Equity Tier 1 Capital Ratio	4.50%	17.80%	17.87%
Tier 1 Capital Ratio	6.00%	17.80%	17.87%
Total Qualifying Capital Ratio	8.00%	17.80%	18.30%
RBNZ required Buffer Ratio	2.50%	9.80%	10.30%

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Note 36 – Capital Adequacy (continued)

(j) Capital for Other Material Risks

The Bank's Internal Capital Adequacy Assessment Process ("ICAAP") captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements, namely strategic risk, reputational risk and start-up business risk. Noting this, the Bank has set aside additional Tier 1 capital of 2% (31 December 2022:2%) within the board target to mitigate all the Pillar II risks in its ICAAP as a prudent treatment and further Tier 1 capital adequacy buffer of 2%.

In December 2019, RBNZ announced the final decision on the Capital Review on Banks, which included the new capital requirements for New Zealand Registered banks. For ICBC (NZ), the current capital requirement of 10.5% (including 2.5% buffer) will be increased to 16% by 2028.

(k) Regulatory liquidity ratios

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

	Unaudited For the 3 months ended 31 December 2023	Unaudited For the 3 months ended 30 September 2023	Unaudited For the 3 months ended 31 December 2022	Unaudited For the 3 months ended 30 September 2022
One-week mismatch ratio	12.2%	10.7%	7.3%	10.0%
One-month mismatch ratio	20.6%	18.0%	13.3%	14.7%
Core funding ratio	85.6%	91.6%	94.6%	92.9%

(l) Capital adequacy of Ultimate Parent Bank

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

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

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the NFRA as at 31 December 2023, the latest reporting date.

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

	30 September 2023	**31 December 2022**
Ultimate Parent Bank 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%
Ultimate Parent 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%

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Independent Auditor's Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (EXCLUDING SUPPLEMENTARY INFORMATION RELATING TO CAPITAL ADEQUACY AND REGULATORY LIQUIDITY REQUIREMENTS)

Opinion

We have audited the financial statements and supplementary information (excluding supplementary information relating to Capital Adquacy and Regulatory Liquidity Requirements) of Industrial and Commercial Bank of China (New Zealand) Limited (the 'Registered Bank').

The financial statements 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 Capital Adequacy and Regulatory Liquidity Requirements) comprises the information required to be disclosed under Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

In our opinion, the accompanying financial statements, on pages 16 to 87:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Registered Bank 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 Capital Adequacy and Regulatory Liquidity Requirements) disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 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 Registered Bank 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 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 Bank 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 the Registered Bank, except that partners and employees of our firm deal with the Registered Bank on normal terms within the ordinary course of trading activities of the business of the Registered Bank.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of the current period. These matters were addressed in the context of our audit of the 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 $14.9 million as at 31 December 2023. The Bank'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 Registered Bank 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 14 and 93 to 102 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 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 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 financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

The directors are responsible on behalf of the Registered Bank for the preparation and fair presentation of the financial statements in accordance with Clause 24 of the Order, NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible on behalf of the Registered Bank for the preparation of supplementary information which fairly states the matters required to be disclosed under Schedules 2, 4, 7, 13, 14, 15 and 17 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 Registered Bank.

In preparing the financial statements, the directors are responsible on behalf of the Registered Bank for assessing the Registered Bank'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 Registered Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

Our objectives are to obtain reasonable assurance about whether the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) 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 financial statements.

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

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Registered Bank's shareholders, as a body. Our audit has been undertaken so that we might state to the Registered Bank's shareholders 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 Registered Bank's shareholders 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 New Zealand Limited (the 'Bank') for the year ended 31 December 2023 included on the Bank's website. The Directors are responsible for the maintenance and integrity of the Bank's website. We have not been engaged to report on the integrity of the Bank'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 shareholder of Industrial and Commercial Bank of China New Zealand Limited

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

Conclusion

We have undertaken a limited assurance engagement on Industrial and Commercial Bank of China New Zealand Limited's ('the Bank') compliance, in all material respects, with clause 21 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) ('the Order') which require information prescribed in Schedule 9 of the Order relating to the capital adequacy and regulatory liquidity requirements to be disclosed in its Disclosure Statement for the 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 us to believe that the Bank's information relating to the capital adequacy and regulatory liquidity requirements disclosed in note 36 of the Disclosure Statement in compliance with clause 21 of the Order, does not comply, in all material respects, with Schedule 9 of the Order for the year ended 31 December 2023.

Basis for Conclusion

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

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

Directors' Responsibility

The Directors of the Bank ('the Directors') are responsible on behalf of the Bank for compliance with the Order, including clause 21 of the Order which requires information relating to the capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Bank's Disclosure Statement. This responsibility includes the identification of risks that may threaten compliance requirements identified above being met and the design, implementation and maintenance of internal controls relevant to mitigating those risks and monitoring ongoing compliance.

Our Independence and Quality Control

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

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

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

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to the capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to the capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the Bank, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 21 of the Order in respect of the information relating to the capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement, our procedures included:

- Obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to the capital adequacy and regulatory liquidity requirements;
- Obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to the capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's ('the RBNZ') prudential requirements for banks;
- Performed analytical and other procedures on the information relating to the capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the interim financial statements; and
- Agreed the information relating to the capital adequacy and regulatory liquidity requirements disclosed in accordance with schedule 9 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 14 of Schedule 9 of the Order.

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

Inherent Limitations

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

A limited assurance engagement on the Bank's information relating to the capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 21 of the Order does not provide assurance on whether compliance will continue in the future.

Use of Report

Our assurance report is made solely for the shareholder for the purpose of establishing that these compliance requirements have been met. Our work has been undertaken so that we might state to the shareholder those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder of the Bank for our work, for this assurance report, or for the conclusions we have reached.

Deloitte Limited

Auckland, New Zealand
27 March 2024

Appendix 2 - Deed of Guarantee

Dated 27 August 2015

DEED OF GUARANTEE

By

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

In respect of the obligations of

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

Certified "true copy" of the original

A Solicitor of the High Court of New Zealand

Nathan Edwin Hansen-Thorpe
Solicitor
Auckland

CONTENTS

THIS DEED is made on 27 August 2015

BY

(1) **INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED** a body corporate constituted under The Company Law of PRC and Law of the PRC on Commercial Banks, having its registered office at No.55 Fuxingmennei Ave, Xicheng District, Beijing, China (hereinafter referred to as the "**Bank**")

AND

(2) **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED** a company incorporated in New Zealand having its registered office at Level 11, 188 Quay Street, Auckland 1010, New Zealand (hereinafter referred to as "**ICBC NZ**")

IN FAVOUR OF

(3) **EACH CREDITOR OF ICBC NZ**

WHEREAS:

A. ICBC NZ is a wholly owned subsidiary of the Bank and set up for the purpose of doing the business of banking in New Zealand.

B. The Bank enters into this Deed of Guarantee for the purpose of guaranteeing the obligations of its subsidiary, ICBC NZ, to the extent provided for by the terms of this Deed.

1. DEFINITIONS AND INTERPRETATION

1.1 In this Deed and in the Recitals, unless the context otherwise requires:

"**Authorised Officer**" means, where a Creditor is a Person other than a natural person, a director of secretary of that Person or a person duly authorised by the Creditor under the resolution and seal of the Person;

"**Business Day**" means any day, other than a Saturday or Sunday or public holiday, on which banks are open for general business in Wellington and Auckland;

"**Creditor**" means each and any Person to whom an Obligation is due and owed by ICBC NZ ;

"**Guarantee**" means the guarantee by the Bank for the benefit of the Creditors pursuant and subject to the terms and conditions of this Deed;

"**Obligation**" means all payment obligations of any nature to or for the benefit of Creditors ranking at least pari passu with the claims of unsecured unsubordinated creditors of ICBC NZ, whether actual or contingent, present or future, secured or unsecured and whether incurred alone, severally or jointly as principal, surety or otherwise, but which, in each case, has been incurred by ICBC NZ prior to termination of the Guarantee in accordance with clause 6;

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"**Person**" means any person, firm, trust, estate, corporation, association, co-operative, government or governmental agency;

"**Rating Agencies**" means, as at the date of this Deed, Standard & Poor's (Australia) Pty Limited and Moody's Investors Services Inc. and any successor or replacement thereto and includes from time to time, such other reputable internally recognised rating agency as ICBC NZ may wish to designate;

"**Repayment Obligation**" means an Obligation incurred by ICBC NZ in relation to one or more of the following:

(a) accepting deposits of any kind from any person;

(b) at the request of its customer, issuing a guarantee, indemnity, letter of credit, performance bond or like instrument in favour of a third party Creditor;

(c) raising money by whatever means but on terms that (and only to the extent that) the recourse comprises a direct and unconditional payment obligation of ICBC NZ;

(d) issuing any redeemable preference shares; or

(e) entering into any swap, foreign exchange contract, hedging or other derivative or risk management transaction or product, to the extent of the net settlement amount if such transaction or product is or was to be termination or such a settlement amount is or was otherwise to become payable at the relevant time.

1.2 Words importing the singular number or plural number shall include the plural number and singular number respectively. Words importing any gender shall include every gender.

1.3 References to laws, statutes or legislation are to the laws, statues or legislation for the time being in force in New Zealand, unless the contrary appears from the context of this Deed.

2. GUARANTEE

2.1 The Bank hereby irrevocably and unconditionally guarantees for the benefit of each Creditor the due and punctual payment by ICBC NZ of each and every Obligation as and when it becomes due and payable (whether at stated maturity or upon acceleration or otherwise) incurred by ICBC NZ to the Creditor prior to the termination of this Guarantee in accordance with clause 6, to the intent that should ICBC NZ default in the due and punctual payment of any such Obligation, the Bank shall, upon written demand by the relevant Creditor under clause 3, forthwith pay or cause to be paid to the Creditor all amounts then due and unpaid with respect to such Obligation together with all costs and expenses incurred by the Creditor in enforcing the Guarantee. For the avoidance of doubt, the Guarantee is a payment guarantee.

2.2 The Guarantee is a continuing guarantee and shall not be considered as satisfied by any intermediate payment and shall remain in force in respect of each and every Obligation incurred by ICBC NZ to the Creditor prior to the termination of the Guarantee in accordance with clause 6 until the relevant Obligation has been satisfied in full.

2.3 Subject to the terms of this Deed, neither the liability of the Bank, nor any of the rights of any Creditor, under this Guarantee shall be affected or discharged by anything which, but for this clause, might operate to affect or discharge the liability of, or otherwise provide a defence to, the Bank (whether or not known to, or done or omitted to be done by, the Bank), including:

(a) the granting of time, credit, accommodation, indulgence, waiver or other concession to ICBC NZ or any other person whether by the Creditor or any other person (whether at the request of the Bank, ICBC NZ or any other person);

(b) any insolvency, administration, liquidation, receivership or reorganisation of ICBC NZ;

(c) any liability of ICBC NZ or any other person ceasing from any cause whatever (including any release or discharge by a Creditor or by operation of law);

(d) the Guarantee or any other agreement or right held or available to the Creditor, at any time being or becoming in whole or in part void, voidable, defective, illegal or unenforceable for any reason or being released, discharged or varied in whole or in part;

(e) any variation, amendment, compromise, release, abandonment, relinquishment or renewal (whether or not having the effect of increasing the liability of the Bank or any other person) of any Obligation;

(f) anything done or omitted or neglected to be done by a Creditor under this Deed or any other agreement; or

(g) any other thing whatever, other than a release of the Bank's obligations under and in accordance with this Deed.

2.4 The Bank waives in favour of each Creditor all rights and defences whatsoever against ICBC NZ and each other person (including rights of subrogation, contribution, marshalling, set-off or counterclaim or any other contractual defences) to the extent strictly necessary to give effect to the Guarantee.

2.5 Notwithstanding clause 2.2, a Creditor may at any time by an instrument in writing, release the Bank from its liability under the Guarantee in relation to that Creditor.

3. DEMAND

3.1 A Creditor shall be entitled to make a demand under the Guarantee by delivering a certificate signed by an Authorised Officer of that Creditor, to the address set out in clause 9 setting out the below:

(a) the residency and place of business of the Creditor;

(b) particulars of the Obligation in respect of which demand is being made by the Creditor;

(c) that ICBC NZ has defaulted in payment and that there is a debt immediately due and payable which remains unpaid beyond its due date (taking into account any relevant grace periods) and that there are no prior conditions to payment which remain unsatisfied;

(d) for any Obligation which is not a Repayment Obligation, that ICBC NZ has had the opportunity to dispute the existence of the Obligation and if, after such opportunity, that dispute has been fully and finally resolved and the Obligation has become indisputably payable by ICBC NZ;

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(e) the outstanding amount and currency of that Obligation;

(f) that the Obligation rank at least pari passu with the claims of other unsecured unsubordinated creditors of ICBC NZ generally; and

(g) the account to which the amount of the claim is to be paid,

accompanied by a copy, verified by an Authorised Officer of the Creditor, of any agreement, instrument or statement of account or other document which is evidence of the due and payable Obligation.

3.2 Service of the Creditors Demand and all accompanying documents under clause 3.1 on the Bank shall constitute a written demand by the Creditor under clause 2.1.

3.3 Upon receipt of a written demand under clause 3.1 (such demand being accompanied with all relevant requirements set out in clause 3.1 and in the case of clause 3.1(d), the Bank shall be entitled to first verify the matters certified within a reasonable timeframe), the Bank hereby covenants for the benefit of each Creditor to pay to the bank account nominated by the Creditor within five Business Days of receipt of all such requirements (and in the case of clause 3.1(d), following verification process as mentioned above), the amount claimed by the Creditor in the relevant written demand in accordance with clause 4.

4. PAYMENTS

4.1 All payments by the Bank under this Deed shall be made in the currency or currencies in which the relevant Obligation is denominated.

4.2 Payments hereunder shall be made:

(a) free and clear of any restrictions or condition;

(b) free and clear of and (except to the extent required by law) without any deduction or withholding on account of any taxes or any other amount, whether by way of set-off or otherwise (but excluding any taxes on overall net income).

4.3 In the event that the Bank is prohibited by law from making payments hereunder free of deductions or withholdings (but excluding any taxes on overall net income), then the Bank shall pay such additional amount to the relevant Creditor as may be necessary in order that the actual amount received after all applicable deductions and withholdings shall equal the amount that would have been received if such deductions or withholdings were not required.

5. REPRESENTATIONS

5.1 The Bank represents and warrants that:

(a) it is a registered bank duly organised and validly existing under the laws of China;

(b) it has the corporate power to enter into this Deed and to perform the obligations imposed upon it under this Deed in accordance with its terms; and

(c) this Deed constitutes a valid, binding and enforceable obligation upon it.

6. TERMINATION OF GUARANTEE

6.1 Notwithstanding anything to the contrary in this Deed, the Guarantee shall terminate on the first to occur of the following events:

(a) if:

(i) any substantial asset of ICBC NZ; or

(ii) any share in the issued capital of ICBC NZ,

is expropriated or nationalised by the Government of New Zealand or by any political subdivision thereof (the "**Government**") or any entity succeeding to the powers of any such Government or any agency of any such Government or any such successor entity or any authority which is owned or controlled by any such Government or any such successor entity except where such expropriation or nationalisation results from the default by ICBC NZ of any statute, regulation or other binding law; or

(b) a change in any law or regulation in any jurisdiction which renders the Guarantee illegal or inoperative in New Zealand; or

(c) ICBC NZ ceasing to be a wholly owned subsidiary of the Bank; or

(d) following by notice in writing by the Bank to ICBC NZ (specifying a termination date for the Guarantee which shall be at least three months following the giving of notice by ICBC NZ to its Creditors by an advertisement circulating generally throughout New Zealand in accordance with clause 6.2).

6.2 On receipt of notice of termination of the Guarantee pursuant to clause 6.1, ICBC NZ shall give notice of such termination by an advertisement in a newspaper circulating generally throughout New Zealand and to each Rating Agency.

6.3 Any termination of the Guarantee must be subject to:

(a) the Guarantee remaining in place for the benefit of each Creditor owed Obligations which have been incurred on or prior to the date of termination described in clause 6.1, but only in relation to and to the extent of those Obligations; and

(b) the Guarantee shall only terminate in respect of each Creditor referred to in clause 6.3(a) once the relevant Obligations have been satisfied in full (whether by action taken by the Bank, ICBC NZ, the relevant Creditor or by operation of law) and following expiration of any bankruptcy or other regulatory preference periods (as applicable).

7. SUBROGATION

7.1 Subject to clauses 2.3 and 2.4, the Bank and ICBC NZ expressly agree that the Bank is and shall be entitled to all the rights and remedies of a guarantor under law including, without limiting the generality of the foregoing, all rights of subrogation which shall accrue to the Bank by virtue of any payment hereunder by the Bank to or for the benefit of any Creditor and, subject to the law, the Bank shall be entitled to claim the benefit of and participate in any security now or hereafter held by that Creditor from ICBC NZ either in whole or upon a pro-rata basis, as the case may be, where the

Bank has paid all moneys owing to that Creditor in respect of an Obligation in accordance with this Deed. Notwithstanding the generality of the foregoing, the Bank shall not exercise or seek to enforce any claim against ICBC NZ (whether or not in liquidation) for reimbursement to the Bank of any moneys paid pursuant to this Deed by the Bank to a Creditor in respect of an Obligation until the default of ICBC NZ in respect of that Obligation has been fully remedied by ICBC NZ or the Bank.

8. DEALINGS BETWEEN THE BANK AND THE CREDITORS

8.1 After receipt of a written demand from a Creditor under clause 3 the Bank and that Creditor shall deal with one another as principal in relation to all matters under or in relation to this Deed, the Guarantee and ICBC NZ.

8.2 Without limiting the generality of clause 9, the Bank shall be and is entitled to serve any notice, demands or statements in connection with this Deed upon that Creditor (at its place of business specified in the Creditor's written demand to the Bank under clause 3) and the Bank shall be and is entitled to make any payment which it is liable to pay to the Creditor under this Deed directly to that Creditor and not through any other Person.

9. NOTICES

9.1 Any notice to the Creditors generally in respect of this Deed will be validly given if published in a newspaper circulating generally throughout New Zealand. Any such notice shall be deemed to have been given on the date of publication or, if published more than once, on the date of first publication.

9.2 Any notice, demand, statement or other document required to be served on or delivered to the Bank or ICBC NZ under or in relation to this Deed ("**Notice**") shall be in writing signed by the party giving the Notice or by an Authorised Officer of that party, shall be made, served or given (subject in the case of the Bank to clause 11.2) by being left at or sent by prepaid mail or by facsimile as follows:

to the Bank:
Industrial and Commercial Bank of China Limited
No.55 Fuxingmennei Ave, Xicheng District, Beijing, China

Attention: Head of Asia-pacific Institutions Management Division, International Banking Department

to ICBC NZ:
Industrial and Commercial Bank of China (New Zealand) Limited
Level 11, 188 Quay Street, Auckland 1010, New Zealand

Attention: Managing Director

or to such other address or facsimile number as shall have been notified (in accordance with this clause) to the other party hereto. No Notice shall be deemed to have been received by the Bank or ICBC NZ until actually received by the relevant party to whom it is addressed at its designated address.

10. AMENDMENT

10.1 Subject to clause 10.3, any provision of this Deed may be amended or supplemented by agreement in writing between the Bank and ICBC NZ.

10.2 Subject to clause 10.3, the Bank may, from time to time and without any authority or assent of ICBC NZ or the Creditors, alter, modify, or add to this Deed if in the reasonable opinion of the Bank:

(a) the alteration, modification or addition is made to correct a manifest error or is of a formal or technical nature;

(b) the modification, alteration or addition is necessary to comply with the provisions of any statute, whether or not required by any statutory authority; or

(c) the alteration, modification or addition is desirable for the purpose of more advantageously administering the rights and obligations established under this Deed,

and in any case such modification, alteration or addition is considered by the Bank, acting in good faith, not to be materially prejudicial to the Creditors as whole, so far as known to it.

10.3 No further consent from Creditors shall be required to any amendment or supplement to this Deed, provided that notice of such amendment or supplement shall be given by ICBC NZ to the Creditors by an advertisement circulating generally throughout New Zealand.

10.4 The Bank and ICBC NZ shall ensure that a copy of any proposed amendment or supplement to this Deed is provided to each Rating Agency at least 10 Business Days prior to the amendment or variation taking effect.

10.5 The Guarantee is issued in replacement of and in substitution for the Deed of Guarantee by the Bank dated 2 September 2013 and, for the avoidance of doubt, all amounts guaranteed under that guarantee shall be Obligations for the purposes of this Deed.

11. GOVERNING LAW

11.1 This Deed shall be governed by and construed in accordance with the laws for the time being in force in New Zealand. The Bank and ICBC NZ each hereby submit, for the purposes of this Deed, to the non-exclusive jurisdiction of the Courts of New Zealand in respect of all legal actions arising under or in relation to this Deed.

11.2 The Bank hereby irrevocably appoints ICBC NZ (and ICBC NZ hereby accepts such appointment) to be the agent of the Bank to accept service of process on behalf of the Bank in respect of all matters in New Zealand arising under or in relation to this Deed and the Bank agrees that any such process shall be property served upon the Bank if delivered to ICBC NZ at its address for the service of Notices set out in clause 9.2.

12. ASSIGNMENT

12.1 No party to this Deed may assign its rights or obligations hereunder without the consent in writing of the other party and without first having given prior written notice to each Rating Agency.

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13. CERTIFICATE

13.1 ICBC NZ shall advise the Bank in writing within fourteen (14) days of a request in writing from the Bank (made no more frequently than quarterly or following receipt by it of any demand for payment from a Creditor) to do so, of its best estimate of the aggregate principal amount of the Obligations for which it is indebted as at such date to either all of the Creditors generally or to those Creditors specified by the Bank in its request.

EXECUTED as a **Deed**

EXECUTED as a **DEED** for and on behalf of **INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**))))

Chairman

EXECUTED as a **DEED** for and on behalf of **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED**))
by its Authorised Signatory / Attorney)

Signature

[Print Name] in the presence of

Witness signature

Full name

Nathan Edwin Hansen-Thorpe
Solicitor
Auckland

Address

Occupation

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