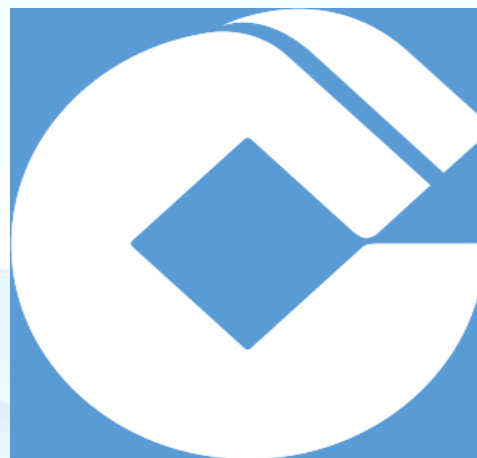


# **China Construction Bank Corporation New Zealand Banking Group**

## **Disclosure Statement**

**For the six months ended  
30 June 2023**



# Table of contents

## Disclosure Statement

General information and definitions	3
Corporate information	3
Subordination of claims of creditors	3
Requirement to hold excess assets over deposit liabilities	3
Requirement to maintain sufficient assets to cover ongoing obligation to pay deposit liabilities	3
Limits on material financial support by the Ultimate Parent Bank	3
Changes in the Bank's Board of Directors	4
New Zealand Chief Executive Officer of the branch	4
Guarantee arrangements	4
Pending proceedings or arbitration	4
Auditor	4
Directors' and New Zealand Chief Executive Officer's Statements	5

## Interim Financial Statements

Statement of comprehensive income	6
Statement of changes in equity	7
Balance sheet	8
Statement of cash flows	9

## Notes to the Interim Financial Statements

1. Statement of accounting policies	10
-------------------------------------	----

## Financial Performance

2. Net interest income	11
3. Non-interest income	11
4. Impairment (charges) / write-backs on credit exposures	12

## Financial Position

5. Cash and balances with central banks	12
6. Due from other financial institutions	12
7. Investment securities	13
8. Loans and advances	13
9. Property, plant and equipment	13

## Financial Position *continued*

10. Due to other financial institutions	14
11. Deposits from customers	14
12. Debt securities issued	14
13. Other liabilities	14
14. Fair value of financial instruments	15
15. Related party transactions and balances	17

## Risk Management

16. Asset quality	19
17. Concentration of credit exposures	26
18. Market risk management	26
19. Liquidity and funding risk management	28
20. Concentrations of funding	30
21. Capital adequacy	30

## Other Disclosures

22. Insurance business, securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products	33
23. Commitments and contingent liabilities	33
24. Events subsequent to the reporting date	33
25. Other material matters	34
26. Conditions of registration	34
27. Other information on the Overseas Banking Group	34
28. Credit ratings of the Overseas Bank	35

## Independent Auditor's Review Report 36

## Abbreviations

The following abbreviations are used throughout the report:

<b>ALCO</b> Asset and Liability Committee
<b>ANZSIC</b> Australia and New Zealand Standard Industrial Classifications
<b>BARC</b> Board Audit, Risk and Compliance Committee
<b>BPR</b> Banking Prudential Requirements
<b>CBIRC</b> China Banking and Insurance Regulatory Commission
<b>CBRC</b> China Banking Regulatory Commission
<b>CCBNZL</b> China Construction Bank (New Zealand) Ltd
<b>CCCFA</b> Credit Contracts and Consumer Finance Act 2003
<b>CET1</b> Common Equity Tier 1
<b>CFP</b> Contingency funding plan
<b>EAD</b> Exposure at default
<b>ECL</b> Expected credit losses
<b>EWI</b> Early warning indicator
<b>FVOCI</b> Fair value through other comprehensive income
<b>FVTPL</b> Fair value through profit or loss
<b>IAS</b> International Accounting Standards
<b>ICAAP</b> Internal capital adequacy assessment process

<b>IRB</b> Internal rating based
<b>IRRBB</b> Interest rate risk in the banking book
<b>ISDA</b> International Swaps and Derivatives Association
<b>LGD</b> Loss given default
<b>LVR</b> Loan-to-valuation ratio
<b>NII</b> Net interest income
<b>NZ GAAP</b> New Zealand Generally Accepted Accounting Principles
<b>NZ IFRS</b> New Zealand equivalent to International Financial Reporting Standards
<b>PD</b> Probability of default
<b>POCI</b> Purchased and originated credit impaired
<b>RBNZ</b> Reserve Bank of New Zealand
<b>RMB</b> Chinese Yuan Renminbi
<b>SICR</b> Significant increase in credit risk

## Disclosure Statement

For the six months ended 30 June 2023

### General information and definitions

Certain information contained in this half year Disclosure Statement for the six months ended 30 June 2023, is as required by section 81 of the Banking (Prudential Supervision) Act 1989 and is in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement:

- China Construction Bank Corporation otherwise referred to as the "Overseas Bank", "Registered Bank", "Ultimate Parent Bank" or "CCBC", is domiciled in China – refers to the worldwide business of China Construction Bank Corporation excluding its controlled entities;
- China Construction Bank Corporation Group otherwise referred to as the "Overseas Banking Group" is domiciled in China – refers to the worldwide business of China Construction Bank Corporation including its controlled entities;
- China Construction Bank Corporation New Zealand Branch (the "branch") – refers to the New Zealand branch of the Ultimate Parent Bank;
- China Construction Bank (New Zealand) Limited referred to as "CCBNZL" – refers to the locally incorporated subsidiary of the Overseas Bank;
- China Construction Bank Corporation New Zealand Banking Group referred to as the "NZ Banking Group" – refers to the New Zealand banking operations of the Overseas Banking Group, including:
  - (a) the branch; and
  - (b) CCBNZL
- The Board of Directors of the Overseas Bank referred to as the "Board".

Words and phrases defined by the Order have the same meaning when used in this Disclosure Statement. All amounts referred to in this Disclosure Statement are in thousands of New Zealand dollars (NZD) unless otherwise stated.

### Corporate information

#### Registered Bank

Address for service - Overseas Bank's principal office outside of New Zealand is:

China Construction Bank Corporation  
No. 25 Financial Street,  
Xicheng District,  
Beijing 100033,  
The People's Republic of China

Address for service - branch:

China Construction Bank Corporation, New Zealand Branch  
Level 29 Vero Centre,  
48 Shortland Street,  
Auckland 1010,  
New Zealand

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

A copy of the Overseas Banking Group's most recently published financial statements is available for download, free of charge, on the Overseas Bank's website (<http://en.ccb.com/en/investorv3/interimreports/interim.html?ptId=5&ctId=2>).

#### Subordination of claims of creditors

There are no material legislative and regulatory restrictions in the People's Republic of China that, in the event of a liquidation of the Overseas Bank, may subordinate the claims of unsecured creditors of the branch on the assets of the Overseas Bank to those of other unsecured creditors of the Overseas Bank.

#### Requirement to hold excess assets over deposit liabilities

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

#### Requirement to maintain sufficient assets to cover ongoing obligation to pay deposit liabilities

The Overseas Bank is required to hold sufficient high quality liquid assets as per the regulatory or legislative requirement in the People's Republic of China in order to cover an ongoing obligation to pay deposit liabilities under a stressed scenario.

#### Limits on material financial support by the Ultimate Parent Bank

There are no regulations, legislation or other restrictions of a legally enforceable nature in the People's Republic of China that may materially inhibit the legal ability of CCBC to provide material financial support to the NZ Banking Group.

## Changes in the Bank's Board of Directors

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

- Mr Jiandong Xu ceased to serve as Non-executive Director of the Board in June 2023 due to expiry of term.
- Sir Malcolm Christopher McCarthy ceased to serve as independent Non-executive Director of the Board in June 2023 due to expiry of term.
- Mr Yong Cui was appointed as a Executive Director of the Board in June 2023.
- Mr Zhihong Ji was appointed as a Executive Director of the Board in June 2023.

As at the date of signing this Disclosure Statement, there have been no other changes in the Board since 31 December 2022.

## New Zealand Chief Executive Officer of the branch

Name	Mr Jun Qi
Primary Occupation	Chief Executive Officer, China Construction Bank (New Zealand) Limited
Residence	Auckland, New Zealand
External directorship	None

## Guarantee arrangements

There have been no changes to the Deed of Guarantee (the "Guarantee") since the publication of the NZ Banking Group's full year Disclosure Statement for the year ended 31 December 2022. In January 2022, and in order to further strengthen the supervision of related-party transactions, CBIRC issued Rules on Related-Party Transactions of Banking and Insurance Institutions (the "Rules"). The Rules are effective from 1 March 2022 but with a one year transitional period from that date. CBIRC has granted an exemption to CCBC that allows the Guarantee on all of CCBNZL's obligations to remain in place. The exemption has no expiry date.

Under the Guarantee:

- (a) There are no limits on the amount of the obligations guaranteed.
- (b) There are no material conditions applicable to the Guarantee other than non-performance by the Bank.
- (c) There are no material legislative or regulatory restrictions in China that would have the effect of subordinating the claims under the Guarantee of any of the Bank's creditors on the assets of the Ultimate Parent Bank, to other claims on the Ultimate Parent Bank in a winding up of the Ultimate Parent Bank.
- (d) The Guarantee does not have an expiry date.

## Pending proceedings or arbitration

There are no pending legal proceedings or arbitrations concerning any member of the NZ Banking Group or, if publicly available, the Overseas Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Overseas Bank or the NZ Banking Group.

## Auditor

Ernst & Young ("EY"), 2 Takutai Square, Britomart, Auckland 1010, New Zealand.

## Directors' and New Zealand Chief Executive Officer's Statements

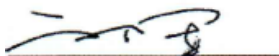
Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that, as at the date on which this Disclosure Statement is signed:

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

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that, for the six months ended 30 June 2023:

- (a) the Registered Bank has complied in all material respects with each condition of registration that applied during that period; and
- (b) the branch and CCBNZL had systems in place to monitor and control adequately the material risks of the NZ Banking Group 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.

**Signed by the New Zealand Chief Executive Officer of China Construction Bank Corporation New Zealand Branch**



**Mr Jun Qi**  
**Dated: 28 August 2023**

**Signed by and on behalf of all the Directors of China Construction Bank Corporation**



**CHAIRMAN - Mr Guoli Tian**  
**Dated: 28 August 2023**

## Statement of comprehensive income

For the period ended	Note	Unaudited 30 Jun 23 6 months \$000	Unaudited 30 Jun 22 6 months \$000	Audited 31 Dec 22 12 months \$000
Interest income	2	127,796	69,177	167,758
Interest expense	2	(84,866)	(34,848)	(98,682)
<b>Net interest income</b>	2	<b>42,930</b>	<b>34,329</b>	<b>69,076</b>
Net fees and commission income	3	4,242	2,072	10,299
Other income / (expense)	3	(5,670)	4,263	718
<b>Net operating income before operating expenses and impairment charges</b>		<b>41,502</b>	<b>40,664</b>	<b>80,093</b>
Operating expenses		(10,240)	(9,229)	(18,816)
Impairment (charges) / write-backs on credit exposures	4	2,627	(325)	(2,722)
<b>Profit before income tax</b>		<b>33,889</b>	<b>31,110</b>	<b>58,555</b>
Income tax expense		(9,489)	(9,173)	(16,711)
<b>Profit after income tax attributable to the owner of the NZ Banking Group</b>		<b>24,400</b>	<b>21,937</b>	<b>41,844</b>
<b>Other comprehensive income, net of tax</b>				
Other comprehensive income / (expense) which may be reclassified to profit and loss <sup>1</sup>				
Net change in cash flow hedge reserve		(2,321)	(4,810)	(4,154)
Net change in FVOCI reserve		87	(34)	(71)
<b>Total other comprehensive income / (expense), net of tax</b>		<b>(2,234)</b>	<b>(4,844)</b>	<b>(4,225)</b>
<b>Total comprehensive income attributable to the owner of the NZ Banking Group</b>		<b>22,166</b>	<b>17,093</b>	<b>37,619</b>

<sup>1</sup> Presentation changes have been made to improve consistency and enhance comparability by reporting balances of a similar nature together under the respective other comprehensive income / (expense) categories.

## Statement of changes in equity

For the six months ended 30 June 23 (Unaudited)	NZ Banking Group								Total \$000
	NZ Branch				CCBNZL				
	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	FVOCI reserve \$000	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	FVOCI reserve \$000	
Balance at 1 January 2023	-	39,505	(2,447)	-	199,178	90,340	(1,773)	(152)	324,651
Profit after income tax	-	11,487	-	-	-	12,913	-	-	24,400
Other comprehensive income / (expense)	-	-	(60)	-	-	-	(2,261)	87	(2,234)
<b>Total comprehensive income / (expense) for the period</b>	-	<b>11,487</b>	<b>(60)</b>	-	-	<b>12,913</b>	<b>(2,261)</b>	<b>87</b>	<b>22,166</b>
<b>Balance at 30 June 2023</b>	-	<b>50,992</b>	<b>(2,507)</b>	-	<b>199,178</b>	<b>103,253</b>	<b>(4,034)</b>	<b>(65)</b>	<b>346,817</b>

For the six months ended 30 June 22  
(Unaudited)

Balance at 1 January 2022	-	24,037	(32)	-	199,178	63,964	(34)	(81)	287,032
Profit after income tax	-	8,831	-	-	-	13,106	-	-	21,937
Other comprehensive income	-	-	(3,143)	-	-	-	(1,667)	(34)	(4,844)
<b>Total comprehensive income / (expense) for the period</b>	-	<b>8,831</b>	<b>(3,143)</b>	-	-	<b>13,106</b>	<b>(1,667)</b>	<b>(34)</b>	<b>17,093</b>
<b>Balance at 30 June 2022</b>	-	<b>32,868</b>	<b>(3,175)</b>	-	<b>199,178</b>	<b>77,070</b>	<b>(1,701)</b>	<b>(115)</b>	<b>304,125</b>

For the year ended  
31 December 22 (Audited)

Balance at 1 January 2022	-	24,037	(32)	-	199,178	63,964	(34)	(81)	287,032
Profit after income tax	-	15,468	-	-	-	26,376	-	-	41,844
Other comprehensive income / (expense)	-	-	(2,415)	-	-	-	(1,739)	(71)	(4,225)
<b>Total comprehensive income / (expense) for the year</b>	-	<b>15,468</b>	<b>(2,415)</b>	-	-	<b>26,376</b>	<b>(1,739)</b>	<b>(71)</b>	<b>37,619</b>
<b>Balance at 31 December 2022</b>	-	<b>39,505</b>	<b>(2,447)</b>	-	<b>199,178</b>	<b>90,340</b>	<b>(1,773)</b>	<b>(152)</b>	<b>324,651</b>

## Balance sheet

As at	Note	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>Assets</b>				
Cash and balances with central banks	5	542,247	251,078	909,115
Due from other financial institutions	6	116,339	115,946	267,872
Investment securities	7	323,777	166,409	183,202
Loans and advances	8	3,175,474	3,630,517	3,252,924
Due from related parties	15	164,817	904	999
Derivative financial assets		50,275	100,254	33,429
Property, plant and equipment	9	4,449	5,202	4,937
Intangible assets		6	8	7
Deferred tax assets		8,510	8,056	8,218
Other assets		206	204	206
<b>Total assets</b>		<b>4,386,100</b>	<b>4,278,578</b>	<b>4,660,909</b>
<b>Liabilities</b>				
Due to other financial institutions	10	873,218	474,514	1,443,579
Deposits from customers	11	406,767	324,506	463,343
Debt securities issued	12	829,680	1,166,499	754,322
Due to related parties	15	1,872,441	1,968,149	1,567,527
Subordinated debt		-	15,131	15,189
Current tax liabilities		3,567	5,223	9,609
Derivative financial liabilities		40,681	9,335	69,781
Other liabilities	13	12,929	11,096	12,908
<b>Total liabilities</b>		<b>4,039,283</b>	<b>3,974,453</b>	<b>4,336,258</b>
<b>Head Office account</b>				
Branch capital		-	-	-
Retained earnings		50,992	32,868	39,505
Reserves		(2,507)	(3,175)	(2,447)
<b>Total Head Office account</b>		<b>48,485</b>	<b>29,693</b>	<b>37,058</b>
<b>Equity</b>				
Share capital		199,178	199,178	199,178
Retained earnings		103,253	77,070	90,340
Reserves		(4,099)	(1,816)	(1,925)
<b>Total equity</b>		<b>298,332</b>	<b>274,432</b>	<b>287,593</b>
<b>Total equity attributable to the owner of the NZ Banking Group</b>		<b>346,817</b>	<b>304,125</b>	<b>324,651</b>
<b>Total liabilities and equity</b>		<b>4,386,100</b>	<b>4,278,578</b>	<b>4,660,909</b>
Total interest earning and discount bearing assets		4,327,220	4,175,454	4,619,884
Total interest and discount bearing liabilities		4,011,898	3,975,913	4,272,849

These interim financial statements were approved and signed on behalf of the Board of Directors by:



CHAIRMAN - Mr Guoli Tian  
Dated: 28 August 2023



VICE CHAIRMAN - Mr Jinliang Zhang  
Dated: 28 August 2023

These interim financial statements are to be read in conjunction with the notes on pages 10 - 35.



## Statement of cash flows

For the period ended	Note	Unaudited 30 Jun 23 6 months \$000	Unaudited 30 Jun 22 6 months \$000	Audited 31 Dec 22 12 months \$000
Profit after income tax		24,400	21,937	41,844
<b>Adjustments to reconcile to net cash flows from operating activities:</b>				
Impairment losses on credit exposures		(2,627)	325	2,722
Depreciation and amortisation		494	542	1,078
Income tax expense		(5,430)	(2,358)	1,610
Movement in fair value of financial assets and liabilities		(49,735)	(78,588)	(13,035)
Movement in interest accruals		(4,306)	5,744	9,795
<b>Net (increase) / decrease in operating assets:</b>				
GST receivable		(51)	9	35
Loans and advances		82,213	(217,295)	163,098
Due from related parties		(164,228)	-	-
Other assets		51	(10)	(37)
<b>Net increase / (decrease) in operating liabilities:</b>				
Due to other financial institutions		(570,361)	(94,598)	874,467
Deposits from customers		(56,097)	(91,342)	44,268
<b>Total adjustments</b>		<b>(770,077)</b>	<b>(477,571)</b>	<b>1,084,001</b>
<b>Net cash flow (used in) / from operating activities <sup>1</sup></b>		<b>(745,677)</b>	<b>(455,634)</b>	<b>1,125,845</b>
<b>Cash flows from investing activities</b>				
Purchase of investment securities		(138,521)	(86,505)	(106,694)
Purchase of property, plant and equipment		(5)	(4)	(274)
<b>Net cash flows used in investing activities</b>		<b>(138,526)</b>	<b>(86,509)</b>	<b>(106,968)</b>
<b>Cash flows from financing activities</b>				
Amount borrowed from related parties		362,612	262,060	237,089
Repayment of due to related parties		(51,737)	(203,289)	(520,620)
Issuance of debt securities	12	245,000	50,000	90,000
Repayment of debt securities	12	(175,000)	(30,000)	(478,178)
Repayment of subordinated debt		(15,000)	-	-
Repayment of principal portion of lease liabilities	13 (d)	(483)	(481)	(963)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>365,392</b>	<b>78,290</b>	<b>(672,672)</b>
Net (decrease) / increase in cash and cash equivalents		(518,811)	(463,853)	346,205
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,177,986</b>	<b>831,781</b>	<b>831,781</b>
<b>Cash and cash equivalents at end of the period</b>	19 (a)	<b>659,175</b>	<b>367,928</b>	<b>1,177,986</b>
<b>Cash and cash equivalents at end of the period comprise:</b>				
Cash and balances with central banks	19 (a)	542,247	251,078	909,115
Due from other financial institutions (call or original maturity of 3 months or less)	19 (a)	116,339	115,946	267,872
Due from related parties (nostro accounts)	19 (a)	589	904	999
<b>Cash and cash equivalents at end of the period</b>		<b>659,175</b>	<b>367,928</b>	<b>1,177,986</b>

<sup>1</sup> For 30 June 2023, the net cash flow from operating activities has been calculated using the indirect method, with prior comparative periods re-presented accordingly. The move from the previously used direct method aligns with the methodology used by the Ultimate Parent Bank.

## Notes to the Interim Financial Statements

### 1. Statement of accounting policies

#### 1.1 Reporting entity

The reporting entity is the NZ Banking Group as described under General Information and Definitions. It is an aggregation of the China Construction Bank Corporation New Zealand Branch (the "branch") and China Construction Bank (New Zealand) Limited (the "subsidiary"). The principal activity of the NZ Banking Group is the provision of a range of banking products and services to business, corporate, institutional and retail customers.

These condensed interim financial statements were approved for issue by the Board of the Overseas Bank on 28 August 2023. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the NZ Banking Group's financial statements for the full year ended 31 December 2022.

#### 1.2 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Order. These financial statements comply with NZ GAAP and with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS.

These condensed interim financial statements have been prepared on a historical cost basis, except by the application of fair value measurements required or allowed by relevant accounting standards.

The going concern and the accrual bases of accounting have been adopted.

#### 1.3 Basis of aggregation

The basis of aggregation is an addition of the branch and the subsidiary balances, with any transactions between the branch and the subsidiary eliminated to form the combined financial statements.

#### 1.4 Presentation currency and rounding

All amounts contained in the financial statements are presented in New Zealand dollars, which is the NZ Banking Group's functional and presentation currency. The amounts are rounded to the nearest thousand dollars.

#### 1.5 Comparative data

Certain comparative information has been reclassified to ensure consistency with the current reporting period where appropriate.

#### 1.6 Changes in accounting policies

The accounting policies and methods of computation are consistent with those of the NZ Banking Group's financial statements for the full year ended 31 December 2022. There have been no material changes to the accounting policies during the six months ended 30 June 2023.

## Financial Performance

### 2. Net interest income

	Unaudited 30 Jun 23 6 months \$000	Unaudited 30 Jun 22 6 months \$000	Audited 31 Dec 22 12 months \$000
<b>Interest income</b>			
<sup>1</sup> Cash and balances with central banks	10,587	2,125	9,381
<sup>1</sup> Due from other financial institutions **	3,773	660	2,596
<sup>1</sup> Loans and advances **	106,188	64,617	150,246
<sup>1</sup> Due from related parties	71	820	1,222
<sup>2</sup> Investment securities	7,177	955	4,313
<b>Total interest income</b>	<b>127,796</b>	<b>69,177</b>	<b>167,758</b>
<b>Interest expense</b>			
<sup>3</sup> Due to other financial institutions	(11,904)	(1,335)	(9,606)
<sup>3</sup> Deposits and other borrowings	(13,754)	(3,530)	(11,429)
<sup>3</sup> Due to related parties	(35,477)	(16,998)	(46,969)
<sup>3</sup> Debt securities issued	(23,682)	(12,926)	(30,565)
<sup>3</sup> Lease liabilities	(49)	(59)	(113)
<b>Total interest expense</b>	<b>(84,866)</b>	<b>(34,848)</b>	<b>(98,682)</b>
<b>Total net interest income</b>	<b>42,930</b>	<b>34,329</b>	<b>69,076</b>

<sup>1</sup> Interest earned on financial assets classified and measured at amortised cost.

<sup>2</sup> Interest earned on financial assets classified and measured at FVOCI.

<sup>3</sup> Interest expense on financial liabilities classified and measured at amortised cost.

\*\* Comparatives information for period ending 30 June 2022 and 31 December 2022 have been restated to correctly reclassify interest income on forfeiting loans from "Due from other financial institutions" to "Loans and advances" (30 June 2022: \$5.054m; 31 December 2022: \$5.366m)

### 3. Non-interest income

	Unaudited 30 Jun 23 6 months \$000	Unaudited 30 Jun 22 6 months \$000	Audited 31 Dec 22 12 months \$000
<b>Fees and commission income</b>			
Lending and credit facility related fee income	4,010	1,834	9,875
Trade finance and other fee income	321	316	644
<b>Total fees and commission income</b>	<b>4,331</b>	<b>2,150</b>	<b>10,519</b>
Other fee expense	(89)	(78)	(220)
<b>Net fees and commission income</b>	<b>4,242</b>	<b>2,072</b>	<b>10,299</b>
<b>Other income / (expense)</b>			
Net ineffectiveness on qualifying hedges	134	492	(51)
Net gain / (loss) on derivatives	(5,804)	3,771	769
<b>Total other income / (expense)</b>	<b>(5,670)</b>	<b>4,263</b>	<b>718</b>
<b>Total net non-interest income</b>	<b>(1,428)</b>	<b>6,335</b>	<b>11,017</b>

#### 4. Impairment (charges) / write-backs on credit exposures

	Other financial assets <sup>1</sup> \$000	Residential mortgage loans \$000	Corporate exposures \$000	Other exposures \$000	Off-balance sheet credit related business <sup>2</sup> \$000	Total impairment loss \$000
<b>For the six months ended 30 June 23 (Unaudited)</b>						
Movement in collectively assessed provisions	(69)	(510)	2,358	-	848	2,627
Movement in individually assessed provisions	-	-	-	-	-	-
Bad debts written-off directly to the profit and loss	-	-	-	-	-	-
Bad debts recovered	-	-	-	-	-	-
<b>Total impairment (charges) / write-backs</b>	<b>(69)</b>	<b>(510)</b>	<b>2,358</b>	<b>-</b>	<b>848</b>	<b>2,627</b>
<b>For the six months ended 30 June 22 (Unaudited)</b>						
Movement in collectively assessed provisions	4	187	(1,448)	446	486	(325)
Movement in individually assessed provisions	-	-	-	-	-	-
Bad debts written-off directly to the profit and loss	-	-	-	-	-	-
Bad debts recovered	-	-	-	-	-	-
<b>Total impairment (charges) / write-backs</b>	<b>4</b>	<b>187</b>	<b>(1,448)</b>	<b>446</b>	<b>486</b>	<b>(325)</b>
<b>For the year ended 31 December 22 (Audited)</b>						
Movement in collectively assessed provisions	(234)	649	(875)	561	(2,823)	(2,722)
Movement in individually assessed provisions	-	-	-	-	-	-
Bad debts written-off directly to the profit and loss	-	-	-	-	-	-
Bad debts recovered	-	-	-	-	-	-
<b>Total impairment (charges) / write-backs</b>	<b>(234)</b>	<b>649</b>	<b>(875)</b>	<b>561</b>	<b>(2,823)</b>	<b>(2,722)</b>

<sup>1</sup> Other financial assets includes impairment losses on due from other financial institutions and investment securities.

<sup>2</sup> The provision for off-balance sheet credit related business is included in other liabilities (Note 13).

## Financial Position

### 5. Cash and balances with central banks

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
Settlement account balances with central banks	542,247	251,078	909,115
<b>Total cash and balances with central banks</b>	<b>542,247</b>	<b>251,078</b>	<b>909,115</b>

### 6. Due from other financial institutions

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
Placements with other financial institutions – call	26,419	15,485	46,591
Placements with other financial institutions – term	90,067	100,462	221,428
Provision for impairment losses	(147)	(1)	(147)
<b>Total amount due from other financial institutions</b>	<b>116,339</b>	<b>115,946</b>	<b>267,872</b>

## 7. Investment securities

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>At FVOCI</b>			
Registered bank securities	75,618	30,085	30,160
Multilateral development banks and other international organisations	242,377	130,418	147,278
Government securities	5,782	5,906	5,764
<b>Total investment securities at FVOCI</b>	<b>323,777</b>	<b>166,409</b>	<b>183,202</b>

Included in Total investment securities as at 30 June 2023 was \$51m encumbered through repurchase agreements (30 June 2022: \$51m, 31 December 2022: \$51m). These securities have not been derecognised by the NZ Banking Group as the NZ Banking Group retains substantially all the risks and rewards of ownership. Counterparties have the right to sell or repledge these encumbered securities. The NZ Banking Group's obligation to repurchase securities is classified under Note 10.

## 8. Loans and advances

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
Residential mortgages	772,849	767,476	738,651
Corporate exposures	2,423,977	2,765,129	2,535,969
Other exposures <sup>1</sup>	-	119,393	-
<b>Total gross loans and advances</b>	<b>3,196,826</b>	<b>3,651,998</b>	<b>3,274,620</b>
Unearned income	(6,379)	(4,509)	(3,799)
Loan origination fees	872	1,133	846
Fair value hedge adjustments	(2,998)	(2,259)	(4,048)
<b>Loans and advances before provision for impairment</b>	<b>3,188,321</b>	<b>3,646,363</b>	<b>3,267,619</b>
Provision for impairment losses	(12,847)	(15,846)	(14,695)
<b>Total net loans and advances</b>	<b>3,175,474</b>	<b>3,630,517</b>	<b>3,252,924</b>

<sup>1</sup> Other exposures include forfeiting lending to other banks.

## 9. Property, plant and equipment

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
Property, plant and equipment	4,300	4,025	4,295
Accumulated depreciation	(3,658)	(3,527)	(3,614)
<b>Total property, plant and equipment</b>	<b>642</b>	<b>498</b>	<b>681</b>
Right-of-use assets <sup>1</sup>	7,736	7,736	7,736
Accumulated depreciation	(3,929)	(3,032)	(3,480)
<b>Total right-of-use assets</b>	<b>3,807</b>	<b>4,704</b>	<b>4,256</b>
<b>Total property, plant and equipment</b>	<b>4,449</b>	<b>5,202</b>	<b>4,937</b>

<sup>1</sup> Includes leases for corporate offices in Auckland and a kitchen appliance.

Additions to the right-of-use assets for the six months ended 30 June 2023 for the NZ Banking Group is nil (30 June 2022: nil, 31 December 2022: nil).

## 10. Due to other financial institutions

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
Placements from other financial institutions	819,769	423,132	1,391,367
Securities sold under agreements to repurchase from central banks	53,449	51,382	52,212
<b>Total amount due to other financial institutions</b>	<b>873,218</b>	<b>474,514</b>	<b>1,443,579</b>

## 11. Deposits from customers

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
Demand deposits bearing interest	31,517	44,592	39,076
Deposits not bearing interest	5,212	2,466	5,693
Term deposits	370,038	277,448	418,574
<b>Total deposits from customers</b>	<b>406,767</b>	<b>324,506</b>	<b>463,343</b>

The branch held no retail deposits as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

## 12. Debt securities issued

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>Short term debt</b>			
Registered certificates of deposit	20,000	50,000	40,000
<b>Long term debt</b>			
Medium-term notes <sup>1</sup>	810,000	1,135,746	735,000
<b>Total debt securities issued at face value</b>	<b>830,000</b>	<b>1,185,746</b>	<b>775,000</b>
<b>Movement in debt securities issued</b>			
Balance at beginning of the year	754,322	1,138,356	1,138,356
Issuance during the period	245,000	50,000	90,000
Repayments during the period	(175,000)	(30,000)	(478,178)
Foreign exchange translation impact <sup>2</sup>	-	14,193	11,625
Effect of fair value hedge adjustment	2,856	(7,279)	(7,683)
Net effect of transaction costs and accruals	2,502	1,229	202
Balance at end of the year	829,680	1,166,499	754,322
<b>Total debt securities</b>	<b>829,680</b>	<b>1,166,499</b>	<b>754,322</b>

<sup>1</sup> Comparatives for periods ending 30 June 2022 and 31 December 2022 include \$15m subordinated debt. The subordinated debt was fully repaid in April 2023.

<sup>2</sup> FX translation impact on debt issued in USD currency.

## 13. Other liabilities

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>Other liabilities</b>			
Trade creditors and other accrued expenses	563	490	405
Lease liabilities <sup>1</sup>	4,305	5,166	4,738
Employee entitlements	4,775	4,615	3,631
Provision for impairment on off-balance sheet credit related business	3,286	825	4,134
<b>Total other liabilities</b>	<b>12,929</b>	<b>11,096</b>	<b>12,908</b>

<sup>1</sup> Includes leases for a corporate offices in Auckland and a kitchen appliance which were renewed on 1 July 2021.

Other information about leases for which the NZ Banking Group is a lessee is presented below.

	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>(a) Amounts recognised in profit and loss</b>			
Interest on lease liabilities	49	59	113
Depreciation charge on right-of-use assets	449	449	898
<b>Total amounts recognised in profit and loss</b>	<b>498</b>	<b>508</b>	<b>1,011</b>
<b>(b) Maturity analysis of contracted undiscounted cash flows</b>			
Less than one year	1,030	965	997
One to five years	3,296	4,239	3,768
More than five years	187	274	231
<b>Total undiscounted lease liabilities</b>	<b>4,513</b>	<b>5,478</b>	<b>4,996</b>
<b>(c) Lease liabilities included in other liabilities</b>			
Current	974	933	953
Non-current	3,331	4,233	3,785
<b>Total lease liabilities included in other liabilities</b>	<b>4,305</b>	<b>5,166</b>	<b>4,738</b>
<b>(d) Amounts recognised in the statement of cash flows</b>			
<b>Total cash outflow for leases</b>	<b>483</b>	<b>481</b>	<b>963</b>

## 14. Fair value of financial instruments

### Classification of financial instruments and estimates of fair value

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used in the fair value estimates are described below.

#### (a) Fair value hierarchy of financial instruments measured at fair value

The best evidence of fair value is a quoted price in an active market. Wherever possible the NZ Banking Group determines the fair value of a financial instrument based on the quoted price. Where no quoted price in an active market is available, the NZ Banking Group applies present value estimates or other valuation techniques based on current market conditions.

These valuation techniques rely on market observable inputs wherever possible or in a limited number of instances rely on inputs which are unobservable but are reasonable assumptions based on market conditions. The NZ Banking Group categorises all fair value measurements according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

##### “Level 1” – Quoted market price

Fair value measurement where inputs are quoted market prices (unadjusted) in an active market for identical financial assets or financial liabilities.

##### “Level 2” – Valuation technique using observable inputs

Where quoted market prices are not available in active markets for similar instruments, fair values have been estimated using present value or valuation techniques using significant inputs that are observable for the financial asset or financial liability, either directly or indirectly from market data.

##### “Level 3” – Valuation technique with significant non-observable inputs

Fair value measurement where at least one input which could have a significant effect on the instrument’s valuation is not based on observable market data.

The NZ Banking Group’s financial instruments are recognised and measured at fair value on a recurring basis within Level 2. The NZ Banking Group considers transfers between levels, if any, are deemed to have occurred at the beginning of the reporting period.

There have been no transfers between Level 1 and 2 of the fair value hierarchy during the period ended 30 June 2023 (30 June 2022: nil, 31 December 2022: nil). There have been no transfers into/out of Level 3 during the period ended 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

**(b) Fair value of financial instruments not measured at fair value**

The following tables below compares the fair value of financial instruments with their carrying amounts.

As at 30 June 23 (Unaudited)	At amortised cost \$000	At FVOCI \$000	At FVTPL \$000	Fair value - derivative instruments \$000	Total carrying amount \$000	Fair value \$000
<b>Financial assets</b>						
Cash and balances with central banks	542,247	-	-	-	542,247	542,247
Due from other financial institutions	116,339	-	-	-	116,339	116,339
Investment securities	-	323,777	-	-	323,777	323,777
Loans and advances	3,175,474	-	-	-	3,175,474	3,333,492
Due from related parties	164,817	-	-	-	164,817	164,916
Derivative financial assets	-	-	-	50,275	50,275	50,275
Other assets	102	-	-	-	102	102
<b>Total financial assets</b>	<b>3,998,979</b>	<b>323,777</b>	<b>-</b>	<b>50,275</b>	<b>4,373,031</b>	<b>4,531,148</b>
<b>Financial liabilities</b>						
Due to other financial institutions	873,218	-	-	-	873,218	876,719
Deposits from customers	406,767	-	-	-	406,767	412,540
Debt securities issued	829,680	-	-	-	829,680	871,952
Due to related parties	1,872,441	-	-	-	1,872,441	1,900,643
Derivative financial liabilities	-	-	-	40,681	40,681	40,681
Lease liabilities	4,305	-	-	-	4,305	4,305
<b>Total financial liabilities</b>	<b>3,986,411</b>	<b>-</b>	<b>-</b>	<b>40,681</b>	<b>4,027,092</b>	<b>4,106,840</b>
<b>As at 30 June 22 (Unaudited)</b>						
<b>Financial assets</b>						
Cash and balances with central banks	251,078	-	-	-	251,078	251,078
Due from other financial institutions	115,946	-	-	-	115,946	115,946
Investment securities	-	166,409	-	-	166,409	166,409
Loans and advances	3,630,517	-	-	-	3,630,517	3,682,770
Due from related parties	904	-	-	-	904	904
Derivative financial assets	-	-	-	100,254	100,254	100,254
Other assets	77	-	-	-	77	77
<b>Total financial assets</b>	<b>3,998,522</b>	<b>166,409</b>	<b>-</b>	<b>100,254</b>	<b>4,265,185</b>	<b>4,317,438</b>
<b>Financial liabilities</b>						
Due to other financial institutions	474,514	-	-	-	474,514	476,920
Deposits from customers	324,506	-	-	-	324,506	323,810
Debt securities issued	1,166,499	-	-	-	1,166,499	1,148,754
Due to related parties	1,968,149	-	-	-	1,968,149	1,972,124
Subordinated debt	15,131	-	-	-	15,131	15,677
Derivative financial liabilities	-	-	-	9,335	9,335	9,335
Lease liabilities	5,166	-	-	-	5,166	5,166
<b>Total financial liabilities</b>	<b>3,953,965</b>	<b>-</b>	<b>-</b>	<b>9,335</b>	<b>3,963,300</b>	<b>3,951,786</b>



As at 31 December 22 (Audited)	At amortised cost \$000	At FVOCI \$000	At FVTPL \$000	Fair value - derivative instruments \$000	Total carrying amount \$000	Fair value \$000
<b>Financial assets</b>						
Cash and balances with central banks	909,115	-	-	-	909,115	909,115
Due from other financial institutions	267,872	-	-	-	267,872	267,872
Investment securities	-	183,202	-	-	183,202	183,202
Loans and advances	3,252,924	-	-	-	3,252,924	3,398,819
Due from related parties	999	-	-	-	999	999
Derivative financial assets	-	-	-	33,429	33,429	33,429
Other assets	51	-	-	-	51	51
<b>Total financial assets</b>	<b>4,430,961</b>	<b>183,202</b>	<b>-</b>	<b>33,429</b>	<b>4,647,592</b>	<b>4,793,487</b>
<b>Financial liabilities</b>						
Due to other financial institutions	1,443,579	-	-	-	1,443,579	1,443,921
Deposits from customers	463,343	-	-	-	463,343	469,306
Debt securities issued	754,322	-	-	-	754,322	755,797
Due to related parties	1,567,527	-	-	-	1,567,527	1,572,821
Subordinated debt	15,189	-	-	-	15,189	15,315
Derivative financial liabilities	-	-	-	69,781	69,781	69,781
Lease liabilities	4,738	-	-	-	4,738	4,738
<b>Total financial liabilities</b>	<b>4,248,698</b>	<b>-</b>	<b>-</b>	<b>69,781</b>	<b>4,318,479</b>	<b>4,331,679</b>

**(c) Estimation of fair value****Cash and balances with central banks, Due from other financial institutions, Due from related parties, Other assets and Lease liabilities**

For these balances, the carrying amount is considered to approximate the fair value, as they are short term in nature or are receivable / payable on demand. A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 19 "Fair Value of Financial Instruments" in the NZ Banking Group's full year Disclosure Statement for the year ended 31 December 2022.

**15. Related party transactions and balances**

During the period ended 30 June 2023, the NZ Banking Group has entered into or had in place various financial transactions with members of the Overseas Banking Group, represented by the Ultimate Parent Bank.

**(a) Nature of transactions and balances with related parties**

The NZ Banking Group undertakes transactions with the Overseas Banking Group.

These transactions principally consist of funding (interest bearing) and hedging transactions (interest bearing) and the provision of technology and process support transactions with related parties outside of the NZ Banking Group, and are conducted on an arm's length basis and on normal commercial terms. The settlement of the balances will be in cash consideration.

**(b) Ultimate Parent Bank**

The amount due from the Ultimate Parent Bank consists of nostro accounts held with the Ultimate Parent Bank and other receivables, which is reflected as cash and liquid assets.

The amount due to the Ultimate Parent Bank consists of borrowed funds from the Ultimate Parent Bank measured at amortised cost. These borrowings are made in the normal course of business and are at arm's length.

The amounts due from and due to the Ultimate Parent Bank also include derivative instruments held with the Ultimate Parent Bank, which are marked to market and reflected as derivative financial assets and liabilities.

Recognised in	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>(a) Statement of comprehensive income</b>			
Interest income <sup>1</sup>	202	(452)	1,859
Interest expense <sup>2</sup>	(32,088)	(15,769)	(46,375)
<b>Non-interest income / (expense)</b>			
Unrealised gain / (loss) on derivatives	(5,177)	853	(102)
<b>Total profit or loss impact</b>	<b>(37,063)</b>	<b>(15,368)</b>	<b>(44,618)</b>
<b>(b) Balance sheet</b>			
<b>Due from related parties</b>			
Cash and liquid assets	164,787	904	999
Other assets	30	-	-
<b>Total Due from related parties</b>	<b>164,817</b>	<b>904</b>	<b>999</b>
Loans and advances	-	23,752	-
Derivative financial assets	35,895	37,373	9,324
<b>Total related party assets</b>	<b>200,712</b>	<b>62,029</b>	<b>10,323</b>
<b>Due to related parties</b>			
Borrowings at amortised cost	1,872,441	1,968,149	1,567,527
<b>Total Due to related parties</b>	<b>1,872,441</b>	<b>1,968,149</b>	<b>1,567,527</b>
Subordinated debt	-	15,131	15,189
Derivative financial liabilities	19,582	1,017	10,927
<b>Total related party liabilities</b>	<b>1,892,023</b>	<b>1,984,297</b>	<b>1,593,643</b>

<sup>1</sup> Included in related party interest income are interest earned on liquid assets, loans and advances and derivative financial assets.

<sup>2</sup> Included in related party interest expense are interest paid on subordinated debt, borrowings with related parties and derivative financial liabilities.

There were no debts with any related parties written off or forgiven during the six months ended 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

Provision for impairments on credit exposure of nil have been recognised in respect of the related party assets as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

## Risk Management

### A. Risk management disclosure

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

### B. Global market disruption

The volatility impacting the financial services sector remains elevated as a result of persistently high inflation and interest rates, supply chain disruptions, and the more moderate economic outlooks both locally and globally. To date, the impact on the NZ Banking Group's existing customer base remains minimal. The NZ Banking Group intends to continue to closely monitor the operating environment and actively manage the impact on its operating strategy, financial position, portfolio quality and performance.

## 16. Asset quality

### (a) Credit quality information

As at 30 June 23 (Unaudited)	Amortised cost			
	Residential mortgage loans \$000	Corporate exposures \$000	Other exposures \$000	Total loans and advances \$000
<b>(a) Asset quality - advances to customers</b>				
Neither past due nor impaired	770,896	2,423,977	-	3,194,873
Past due but not impaired	1,953	-	-	1,953
Individually impaired assets	-	-	-	-
Provision for credit impairment	(7,339)	(5,508)	-	(12,847)
Unearned income	-	-	-	(6,379)
Loan origination fees	-	-	-	872
Fair value hedge adjustments	-	-	-	(2,998)
<b>Net carrying amount</b>	<b>765,510</b>	<b>2,418,469</b>	<b>-</b>	<b>3,175,474</b>
<b>(b) Ageing of past due but not impaired</b>				
Less than 30 days	-	-	-	-
30 to 59 days	1,953	-	-	1,953
60 to 89 days	-	-	-	-
90 days and over	-	-	-	-
<b>Net carrying amount</b>	<b>1,953</b>	<b>-</b>	<b>-</b>	<b>1,953</b>
<b>(c) Individually impaired assets</b>				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30 June 22 (Unaudited)</b>				
<b>(a) Asset quality - advances to customers</b>				
Neither past due nor impaired	767,476	2,765,129	119,393	3,651,998
Past due but not impaired	-	-	-	-
Individually impaired assets	-	-	-	-
Provision for credit impairment	(7,291)	(8,439)	(116)	(15,846)
Unearned income	-	-	-	(4,509)
Loan origination fees	-	-	-	1,133
Fair value hedge adjustments	-	-	-	(2,259)
<b>Net carrying amount</b>	<b>760,185</b>	<b>2,756,690</b>	<b>119,277</b>	<b>3,630,517</b>
<b>(b) Ageing of past due but not impaired</b>				
Less than 30 days	-	-	-	-
30 to 59 days	-	-	-	-
60 to 89 days	-	-	-	-
90 days and over	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(c) Individually impaired assets</b>				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(a) Credit quality information (continued)**

As at 31 December 22 (Audited)	Amortised cost			Total loans and advances \$000
	Residential mortgage loans \$000	Corporate exposures \$000	Other exposures \$000	
<b>(a) Asset quality - advances to customers</b>				
Neither past due nor impaired	738,651	2,535,969	-	3,274,620
Past due but not impaired	-	-	-	-
Individually impaired assets	-	-	-	-
Provision for credit impairment	(6,829)	(7,866)	-	(14,695)
Unearned income	-	-	-	(3,799)
Loan origination fees	-	-	-	846
Fair value hedge adjustments	-	-	-	(4,048)
<b>Carrying amount</b>	<b>731,822</b>	<b>2,528,103</b>	<b>-</b>	<b>3,252,924</b>
<b>(b) Ageing of past due but not impaired</b>				
Less than 30 days	-	-	-	-
30 to 59 days	-	-	-	-
60 to 89 days	-	-	-	-
90 days and over	-	-	-	-
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(c) Individually impaired assets</b>				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Asset quality for financial assets designated at FVTPL**

The NZ Banking Group does not have any financial assets designated at FVTPL as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

**(b) Movement in loans and advances**

As at 30 June 23 (Unaudited)	Stage 1	Stage 2	Stage 3		Total \$000
	12-months ECL \$000	Lifetime ECL not credit impaired \$000	Lifetime ECL credit impaired \$000	Individually assessed Lifetime ECL \$000	
<b>(a) Residential mortgages</b>					
Gross balance as at 1 January 23	738,651	-	-	-	738,651
Additions	101,600	1,953	-	-	103,553
Deletions	(69,355)	-	-	-	(69,355)
<b>Gross balance as at 30 June 23</b>	<b>770,896</b>	<b>1,953</b>	<b>-</b>	<b>-</b>	<b>772,849</b>
<b>(b) Corporate exposures</b>					
Gross balance as at 1 January 23	2,533,005	2,964	-	-	2,535,969
Additions	606,344	15	-	-	606,359
Deletions	(715,372)	(2,979)	-	-	(718,351)
<b>Gross balance as at 30 June 23</b>	<b>2,423,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,423,977</b>
<b>(c) Other exposures</b>					
Gross balance as at 1 January 23	-	-	-	-	-
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
<b>Gross balance as at 30 June 23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Total loans and advances</b>					
Gross balance as at 1 January 23	3,271,656	2,964	-	-	3,274,620
Additions	707,944	1,968	-	-	709,912
Deletions	(784,727)	(2,979)	-	-	(787,706)
<b>Gross balance as at 30 June 23</b>	<b>3,194,873</b>	<b>1,953</b>	<b>-</b>	<b>-</b>	<b>3,196,826</b>

**(b) Movement in loans and advances (continued)**

	Stage 1	Stage 2	Stage 3		Total \$000
	12-months ECL \$000	Lifetime ECL not credit impaired \$000	Lifetime ECL credit impaired \$000	Individually assessed Lifetime ECL \$000	
<b>As at 30 June 22 (Unaudited)</b>					
<b>(a) Residential mortgages</b>					
Gross balance as at 1 January 22	761,979	-	-	-	761,979
Additions	55,797	-	-	-	55,797
Deletions	(50,300)	-	-	-	(50,300)
<b>Gross balance as at 30 June 22</b>	<b>767,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>767,476</b>
<b>(b) Corporate exposures</b>					
Gross balance as at 1 January 22	2,141,499	113,129	-	-	2,254,628
Additions	955,537	63,338	-	-	1,018,875
Deletions	(331,907)	(176,467)	-	-	(508,374)
<b>Gross balance as at 30 June 22</b>	<b>2,765,129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,765,129</b>
<b>(c) Other exposures</b>					
Gross balance as at 1 January 22	412,968	-	-	-	412,968
Additions	534,704	-	-	-	534,704
Deletions	(828,279)	-	-	-	(828,279)
<b>Gross balance as at 30 June 22</b>	<b>119,393</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,393</b>
<b>(d) Total loans and advances</b>					
Gross balance as at 1 January 22	3,316,446	113,129	-	-	3,429,575
Additions	1,546,038	63,338	-	-	1,609,376
Deletions	(1,210,486)	(176,467)	-	-	(1,386,953)
<b>Gross balance as at 30 June 22</b>	<b>3,651,998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,651,998</b>
<b>As at 31 December 22 (Audited)</b>					
<b>(a) Residential mortgages</b>					
Gross balance as at 1 January 22	761,979	-	-	-	761,979
Additions	89,295	-	-	-	89,295
Deletions	(112,623)	-	-	-	(112,623)
<b>Gross balance as at 31 December 22</b>	<b>738,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>738,651</b>
<b>(b) Corporate exposures</b>					
Gross balance as at 1 January 22	2,141,499	113,129	-	-	2,254,628
Additions	1,977,731	66,302	-	-	2,044,033
Deletions	(1,586,225)	(176,467)	-	-	(1,762,692)
<b>Gross balance as at 31 December 22</b>	<b>2,533,005</b>	<b>2,964</b>	<b>-</b>	<b>-</b>	<b>2,535,969</b>
<b>(c) Other exposures</b>					
Gross balance as at 1 January 22	412,968	-	-	-	412,968
Additions	564,561	-	-	-	564,561
Deletions	(977,529)	-	-	-	(977,529)
<b>Gross balance as at 31 December 22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Total loans and advances</b>					
Gross balance as at 1 January 22	3,316,446	113,129	-	-	3,429,575
Additions	2,631,587	66,302	-	-	2,697,889
Deletions	(2,676,377)	(176,467)	-	-	(2,852,844)
<b>Gross balance as at 31 December 22</b>	<b>3,271,656</b>	<b>2,964</b>	<b>-</b>	<b>-</b>	<b>3,274,620</b>

Due from other financial institutions and investment securities balances were all represented in Stage 1 - 12 months ECL.

**(c) Movement in provision for impairment losses**

	Stage 1	Stage 2	Stage 3		Total provision \$000
	Collective provision 12-months ECL \$000	Collective provision Lifetime ECL not credit impaired \$000	Collective provision Lifetime ECL credit impaired \$000	Individually assessed Lifetime ECL credit impaired \$000	
<b>As at 30 June 23 (Unaudited)</b>					
Due from other financial institutions <sup>1</sup>	147	-	-	-	147
Investment securities <sup>2</sup>	165	-	-	-	165
Loans and advances	12,623	224	-	-	12,847
Off-balance sheet credit related commitments	3,286	-	-	-	3,286
<b>Total provision for impairment losses as at 30 June 23</b>	<b>16,221</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>16,445</b>
<b>(a) Residential mortgages</b>					
Balance as at 1 January 23	6,829	-	-	-	6,829
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(224)	224	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	1,155	-	-	-	1,155
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(645)	-	-	-	(645)
Recovery	-	-	-	-	-
<b>Balance as at 30 June 23</b>	<b>7,115</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>7,339</b>
<b>(b) Corporate exposures</b>					
Balance as at 1 January 23	7,414	452	-	-	7,866
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	2,961	-	-	-	2,961
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(4,867)	(452)	-	-	(5,319)
Recovery	-	-	-	-	-
<b>Balance as at 30 June 23</b>	<b>5,508</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,508</b>
<b>(c) Other exposures</b>					
Balance as at 1 January 23	-	-	-	-	-
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	-	-	-	-	-
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-	-
Recovery	-	-	-	-	-
<b>Balance as at 30 June 23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Total loans and advances</b>					
Balance as at 1 January 23	14,243	452	-	-	14,695
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(224)	224	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	4,116	-	-	-	4,116
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(5,512)	(452)	-	-	(5,964)
Recovery	-	-	-	-	-
<b>Total provision for impairment losses on loans &amp; advances as at 30 June 23</b>	<b>12,623</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>12,847</b>

<sup>1</sup> There was no transfer of collective provision for 'due from other financial institutions' between the stages. The total provision of \$147,000 (refer Note 6) was represented in 'collective provision 12-months ECL' during the period.

<sup>2</sup> There was no transfer of collective provision for investment securities between the stages. The total provision of \$165,000 was represented in 'collective provision 12-months ECL' during the period.

**(c) Movement in provision for impairment losses (continued)**

	Stage 1	Stage 2	Stage 3		Total provision \$000
	Collective provision 12-months ECL \$000	Collective provision Lifetime ECL not credit impaired \$000	Collective provision Lifetime ECL credit impaired \$000	Individually assessed Lifetime ECL credit impaired \$000	
<b>As at 30 June 22 (Unaudited)</b>					
Due from other financial institutions	1	-	-	-	1
Investment securities	2	-	-	-	2
Loans and advances	15,846	-	-	-	15,846
Off-balance sheet credit related commitments	825	-	-	-	825
<b>Total provision for impairment losses as at 30 June 22</b>	<b>16,674</b>	-	-	-	<b>16,674</b>
<b>(a) Residential mortgages</b>					
Balance as at 1 January 22	7,478	-	-	-	7,478
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	813	-	-	-	813
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(1,000)	-	-	-	(1,000)
Recovery	-	-	-	-	-
<b>Balance as at 30 June 22</b>	<b>7,291</b>	-	-	-	<b>7,291</b>
<b>(b) Corporate exposures</b>					
Balance as at 1 January 22	6,339	652	-	-	6,991
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	3,540	76	-	-	3,616
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(1,440)	(728)	-	-	(2,168)
Recovery	-	-	-	-	-
<b>Balance as at 30 June 22</b>	<b>8,439</b>	-	-	-	<b>8,439</b>
<b>(c) Other exposures</b>					
Balance as at 1 January 22	562	-	-	-	562
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	516	-	-	-	516
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(962)	-	-	-	(962)
Recovery	-	-	-	-	-
<b>Balance as at 30 June 22</b>	<b>116</b>	-	-	-	<b>116</b>
<b>(d) Total loans and advances</b>					
Balance as at 1 January 22	14,379	652	-	-	15,031
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	4,869	76	-	-	4,945
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(3,402)	(728)	-	-	(4,130)
Recovery	-	-	-	-	-
<b>Total provision for impairment losses on loans &amp; advances as at 30 June 22</b>	<b>15,846</b>	-	-	-	<b>15,846</b>

<sup>1</sup> There was no transfer of collective provision for 'due from other financial institutions' between the stages. The total provision of \$1,000 (refer Note 6) was represented in 'collective provision 12-months ECL' during the period.

<sup>2</sup> There was no transfer of collective provision for investment securities between the stages. The total provision of \$2,000 was represented in 'collective provision 12-months ECL' during the period.

**(c) Movement in provision for impairment losses (continued)**

	Stage 1	Stage 2	Stage 3		Total provision \$000
	Collective provision 12-months ECL \$000	Collective provision Lifetime ECL not credit impaired \$000	Collective provision Lifetime ECL credit impaired \$000	Individually assessed Lifetime ECL credit impaired \$000	
<b>As at 31 December 22 (Audited)</b>					
Due from other financial institutions	147	-	-	-	147
Investment securities	96	-	-	-	96
Loans and advances	14,243	452	-	-	14,695
Off-balance sheet credit related commitments	4,134	-	-	-	4,134
<b>Total provision for impairment losses as at 31 December 22</b>	<b>18,620</b>	<b>452</b>	<b>-</b>	<b>-</b>	<b>19,072</b>
<b>(a) Residential mortgages</b>					
Balance as at 1 January 22	7,478	-	-	-	7,478
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	1,147	-	-	-	1,147
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(1,796)	-	-	-	(1,796)
Recovery	-	-	-	-	-
<b>Balance as at 31 December 22</b>	<b>6,829</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,829</b>
<b>(b) Corporate exposures</b>					
Balance as at 1 January 22	6,339	652	-	-	6,991
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	7,844	528	-	-	8,372
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(6,769)	(728)	-	-	(7,497)
Recovery	-	-	-	-	-
<b>Balance as at 31 December 22</b>	<b>7,414</b>	<b>452</b>	<b>-</b>	<b>-</b>	<b>7,866</b>
<b>(c) Other exposures</b>					
Balance as at 1 January 22	562	-	-	-	562
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	615	-	-	-	615
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(1,177)	-	-	-	(1,177)
Recovery	-	-	-	-	-
<b>Balance as at 31 December 22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Total loans and advances</b>					
Balance as at 1 January 22	14,379	652	-	-	15,031
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	9,606	528	-	-	10,134
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(9,742)	(728)	-	-	(10,470)
Recovery	-	-	-	-	-
<b>Total provision for impairment losses on loans &amp; advances as at 31 December 22</b>	<b>14,243</b>	<b>452</b>	<b>-</b>	<b>-</b>	<b>14,695</b>

<sup>1</sup> There was no transfer of collective provision for 'due from other financial institutions' between the stages. The total provision of \$147,000 (refer Note 6) was represented in 'collective provision 12-months ECL' during the period.

<sup>2</sup> There was no transfer of collective provision for investment securities between the stages. The total provision of \$96,000 was represented in 'collective provision 12-months ECL' during the period.



	Stage 1 Collective provision  12-months ECL \$000	Stage 2 Collective provision  Lifetime ECL not credit impaired \$000	Stage 3 Collective provision  Lifetime ECL credit impaired \$000	Stage 3 Individually assessed  Lifetime ECL credit impaired \$000	Total provision \$000
<b>As at 30 June 23 (Unaudited)</b>					
<b>Off-balance sheet credit related business <sup>1</sup></b>					
Balance as at 1 January 23	4,134	-	-	-	4,134
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	1,089	-	-	-	1,089
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(1,937)	-	-	-	(1,937)
Recovery	-	-	-	-	-
<b>Balance as at 30 June 23</b>	<b>3,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,286</b>
<b>As at 30 June 2022 (Unaudited)</b>					
<b>Off-balance sheet credit related business <sup>1</sup></b>					
Balance as at 1 January 22	1,060	251	-	-	1,311
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	1,322	92	-	-	1,414
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(1,557)	(343)	-	-	(1,900)
Recovery	-	-	-	-	-
<b>Balance as at 30 June 22</b>	<b>825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>825</b>
<b>As at 31 December 22 (Audited)</b>					
<b>Off-balance sheet credit related business <sup>1</sup></b>					
Balance as at 1 January 22	1,060	251	-	-	1,311
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit and loss	5,543	92	-	-	5,635
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(2,469)	(343)	-	-	(2,812)
Recovery	-	-	-	-	-
<b>Balance as at 31 December 22</b>	<b>4,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,134</b>

<sup>1</sup> The provision for off-balance sheet credit related business is included in other liabilities (Note 13).

The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value using the original effective interest rate for the asset. This discount unwinds as interest income over the period the asset is held.

The combined effect from changes in forecast economic environments predominantly impacted corporate loans and off-balance sheet credit related business provisions in the branch. This has resulted in an overall provision writeback for the NZ Banking Group of \$2.9m relative to the equivalent period in 2022.

#### (a) Credit commitments to counterparties

Undrawn balances on credit commitments to counterparties for whom drawn balances are classified as individually impaired were nil as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

#### (b) Assets under administration

The NZ Banking Group does not have any assets under administration as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

#### (c) Restructured assets

The NZ Banking Group does not have any restructured assets as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

## 17. Concentration of credit exposures

Concentration of credit exposures arise where the NZ Banking Group is exposed to risk in industries of a similar nature or in particular geographies. The following table presents the NZ Banking Group's concentration of credit exposures reported by industry and geographic area.

ANZSIC codes have been used as the basis for disclosing industry sectors.

As at	On-balance sheet credit exposures			Off-balance sheet credit related commitments		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	30 Jun 23	30 Jun 22	31 Dec 22	30 Jun 23	30 Jun 22	31 Dec 22
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Industry sector</b>						
Agriculture, forestry and fishing	49,915	49,808	49,816	6,955	8,519	8,454
Construction	435,206	419,875	437,949	98,318	191,728	160,746
Education & training	81,478	-	-	14,568	-	-
Electricity, gas, water and waste services	460,717	102,675	240,159	368,704	283,702	332,987
Financial and insurance services	407,196	366,583	332,607	-	-	-
Healthcare and social assistance	146,729	120,278	138,506	43,833	-	51,978
Information media and telecommunications	149,296	100,464	148,603	21,320	-	19,941
Local government administration	-	-	-	-	-	27,665
Manufacturing	181,911	913,455	535,887	261,396	29,594	33,346
Mining	43,242	34,018	54,458	17,143	26,143	6,000
Personal lending	772,849	767,476	738,651	940	7,400	1,120
Public administration and safety	790,406	387,402	1,062,157	-	3,571	-
Rental, hiring and real estate services	756,795	904,918	846,636	166,943	171,495	155,307
Retail trade	4,954	1,003	1,004	127	144	202
Transport, postal and warehousing	113,734	118,461	82,424	234,729	142,000	208,000
Wholesale trade	-	174	527	-	-	-
<b>Subtotal</b>	<b>4,394,428</b>	<b>4,286,590</b>	<b>4,669,384</b>	<b>1,234,976</b>	<b>864,296</b>	<b>1,005,746</b>
Unearned income	(6,379)	(4,509)	(3,799)	-	-	-
Loan origination fees	872	1,133	846	-	-	-
Fair value hedge adjustments	(2,998)	(2,259)	(4,048)	-	-	-
Provisions for impairment losses <sup>1</sup>	(12,994)	(15,847)	(14,842)	(3,286)	(825)	(4,134)
<b>Total credit exposures</b>	<b>4,372,929</b>	<b>4,265,108</b>	<b>4,647,541</b>	<b>1,231,690</b>	<b>863,471</b>	<b>1,001,612</b>
<b>Geographic area <sup>2</sup></b>						
New Zealand	3,641,936	3,283,921	4,142,596	1,079,123	364,450	832,799
Other countries	730,993	981,187	504,945	152,567	499,021	168,813
<b>Total credit exposures</b>	<b>4,372,929</b>	<b>4,265,108</b>	<b>4,647,541</b>	<b>1,231,690</b>	<b>863,471</b>	<b>1,001,612</b>

<sup>1</sup> Provision for impairment losses on On-balance credit exposures includes Loans and advances and Due from other financial institutions.

<sup>2</sup> Geographic area classification is based on customer's tax residency status.

## 18. Market risk management

### (a) Interest rate risk

Interest rate risk is the risk of loss in earnings or in economic value as a consequence of movements in interest rates. All traded market interest rate risk is derived from customer deals that are systematically hedged at the time of trading, leaving no residual risk. The NZ Banking Group's non-traded interest rate risk mainly comprises of yield curve, repricing, basis and optionality risks arising from mismatch of term structure and pricing basis of assets and liabilities in the NZ Banking Group's book. The NZ Banking Group uses the following tools to monitor and manage its interest rate risk:

- Interest rate repricing gap limits: This includes both limits on the aggregate net position, curve risk and limits applied to the short or long position for each repricing time bucket.
- Simulations using interest rate scenarios are used to provide a series of potential NII outcomes. NII is modelled using a 100 basis point parallel shift in the yield curve above and below current levels. NII outcomes from these yield curve shocks are monitored and reported internally against a prescribed monitoring trigger. Additional stressed interest rate scenarios are also considered and modelled.

**(b) Interest rate repricing gap analysis**

The following table presents the NZ Banking Group's assets and liabilities at their carrying amounts as at 30 June 2023, categorised by the earlier of the contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the NZ Banking Group's exposure to interest rate movements, are included under the heading "Non-interest bearing".

As at 30 June 23 (Unaudited)	Up to 3 months \$000	Over 3 to 6 months \$000	Over 6 to 12 months \$000	Over 1 to 2 years \$000	Over 2 years \$000	Non interest bearing \$000	Total \$000
<b>Financial assets</b>							
Cash and balances with central banks	542,247	-	-	-	-	-	542,247
Due from other financial institutions	116,223	-	-	-	-	116	116,339
Investment securities	75,077	-	109,605	42,876	94,344	1,875	323,777
Loans and advances <sup>1</sup>	2,398,750	252,963	338,384	158,234	33,700	(6,557)	3,175,474
Due from related parties	164,817	-	-	-	-	-	164,817
Derivative financial assets	-	-	-	-	-	50,275	50,275
<b>Total financial assets</b>	<b>3,297,114</b>	<b>252,963</b>	<b>447,989</b>	<b>201,110</b>	<b>128,044</b>	<b>45,709</b>	<b>4,372,929</b>
Non-financial assets	-	-	-	-	-	13,171	13,171
<b>Total assets</b>	<b>3,297,114</b>	<b>252,963</b>	<b>447,989</b>	<b>201,110</b>	<b>128,044</b>	<b>58,880</b>	<b>4,386,100</b>
<b>Financial liabilities</b>							
Due to other financial institutions	405,564	117,034	341,620	-	-	9,000	873,218
Deposits from customers	224,697	80,133	90,755	5,971	-	5,211	406,767
Debt securities issued	725,000	20,000	-	85,000	-	(320)	829,680
Due to related parties	879,974	166,156	49,245	164,150	656,599	(43,683)	1,872,441
Subordinated debt	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	40,681	40,681
<b>Total financial liabilities</b>	<b>2,235,235</b>	<b>383,323</b>	<b>481,620</b>	<b>255,121</b>	<b>656,599</b>	<b>10,889</b>	<b>4,022,787</b>
Non-financial liabilities	-	-	-	-	-	16,496	16,496
<b>Total liabilities</b>	<b>2,235,235</b>	<b>383,323</b>	<b>481,620</b>	<b>255,121</b>	<b>656,599</b>	<b>27,385</b>	<b>4,039,283</b>
<b>On-balance sheet interest rate repricing gap</b>	<b>1,061,879</b>	<b>(130,360)</b>	<b>(33,631)</b>	<b>(54,011)</b>	<b>(528,555)</b>	<b>31,495</b>	<b>346,817</b>
Net derivative notional amount	(1,171,455)	125,851	367,116	167,920	510,568	-	-
<b>Net interest rate repricing gap</b>	<b>(109,576)</b>	<b>(4,509)</b>	<b>333,485</b>	<b>113,909</b>	<b>(17,987)</b>	<b>31,495</b>	<b>346,817</b>

<sup>1</sup> Included in loans and advances under the "Non-interest bearing" category are provisions for impairment losses and accrued interest on loans.

**As at 30 June 22 (Unaudited)**

<b>Financial assets</b>							
Cash and balances with central banks	251,078	-	-	-	-	-	251,078
Due from other financial institutions	115,493	-	-	-	-	453	115,946
Investment securities	29,982	-	4,984	11,791	118,810	842	166,409
Loans and advances <sup>1</sup>	2,529,392	405,565	348,088	296,588	62,779	(11,895)	3,630,517
Due from related parties	904	-	-	-	-	-	904
Derivative financial assets	-	-	-	-	-	100,254	100,254
<b>Total financial assets</b>	<b>2,926,849</b>	<b>405,565</b>	<b>353,072</b>	<b>308,379</b>	<b>181,589</b>	<b>89,654</b>	<b>4,265,108</b>
Non-financial assets	-	-	-	-	-	13,470	13,470
<b>Total assets</b>	<b>2,926,849</b>	<b>405,565</b>	<b>353,072</b>	<b>308,379</b>	<b>181,589</b>	<b>103,124</b>	<b>4,278,578</b>
<b>Financial liabilities</b>							
Due to other financial institutions	424,935	-	48,224	-	-	1,355	474,514
Deposits from customers	123,361	92,800	103,514	2,370	-	2,461	324,506
Debt securities issued	650,746	150,000	135,000	150,000	85,000	(4,247)	1,166,499
Due to related parties	509,698	491,521	93,567	241,119	659,058	(26,814)	1,968,149
Subordinated debt	15,000	-	-	-	-	131	15,131
Derivative financial liabilities	-	-	-	-	-	9,335	9,335
<b>Total financial liabilities</b>	<b>1,723,740</b>	<b>734,321</b>	<b>380,305</b>	<b>393,489</b>	<b>744,058</b>	<b>(17,779)</b>	<b>3,958,134</b>
Non-financial liabilities	-	-	-	-	-	16,319	16,319
<b>Total liabilities</b>	<b>1,723,740</b>	<b>734,321</b>	<b>380,305</b>	<b>393,489</b>	<b>744,058</b>	<b>(1,460)</b>	<b>3,974,453</b>
<b>On-balance sheet interest rate repricing gap</b>	<b>1,203,109</b>	<b>(328,756)</b>	<b>(27,233)</b>	<b>(85,110)</b>	<b>(562,469)</b>	<b>104,584</b>	<b>304,125</b>
Net derivative notional amount	(980,458)	140,000	135,000	151,070	554,388	-	-
<b>Net interest rate repricing gap</b>	<b>222,651</b>	<b>(188,756)</b>	<b>107,767</b>	<b>65,960</b>	<b>(8,081)</b>	<b>104,584</b>	<b>304,125</b>

<sup>1</sup> Included in Loans and advances under the "Non-interest bearing" category are provisions for impairment losses and accrued interest on loans.

As at 31 December 22 (Audited)	Up to 3 months \$000	Over 3 to 6 months \$000	Over 6 to 12 months \$000	Over 1 to 2 years \$000	Over 2 years \$000	Non interest bearing \$000	Total \$000
<b>Financial assets</b>							
Cash and balances with central banks	909,115	-	-	-	-	-	909,115
Due from other financial institutions	266,453	-	-	-	-	1,419	267,872
Investment securities	35,000	-	-	23,033	123,917	1,252	183,202
Loans and advances <sup>1</sup>	2,366,268	258,718	389,435	208,720	38,226	(8,443)	3,252,924
Due from related parties	999	-	-	-	-	-	999
Derivative financial assets	-	-	-	-	-	33,429	33,429
<b>Total financial assets</b>	<b>3,577,835</b>	<b>258,718</b>	<b>389,435</b>	<b>231,753</b>	<b>162,143</b>	<b>27,657</b>	<b>4,647,541</b>
Non-financial assets	-	-	-	-	-	13,368	13,368
<b>Total assets</b>	<b>3,577,835</b>	<b>258,718</b>	<b>389,435</b>	<b>231,753</b>	<b>162,143</b>	<b>41,025</b>	<b>4,660,909</b>
<b>Financial liabilities</b>							
Due to other financial institutions	1,331,959	104,153	-	-	-	7,467	1,443,579
Deposits from customers	284,290	115,121	43,977	14,266	-	5,689	463,343
Debt securities issued	390,000	135,000	150,000	85,000	-	(5,678)	754,322
Due to related parties	171,152	154,136	503,724	47,453	727,618	(36,556)	1,567,527
Subordinated debt	15,000	-	-	-	-	189	15,189
Derivative financial liabilities	-	-	-	-	-	69,781	69,781
<b>Total financial liabilities</b>	<b>2,192,401</b>	<b>508,410</b>	<b>697,701</b>	<b>146,719</b>	<b>727,618</b>	<b>40,892</b>	<b>4,313,741</b>
Non-financial liabilities	-	-	-	-	-	22,517	22,517
<b>Total liabilities</b>	<b>2,192,401</b>	<b>508,410</b>	<b>697,701</b>	<b>146,719</b>	<b>727,618</b>	<b>63,409</b>	<b>4,336,258</b>
<b>On-balance sheet interest rate repricing gap</b>							
Net derivative notional amount	(858,283)	135,000	136,258	28,551	558,474	-	-
<b>Net interest rate repricing gap</b>	<b>527,151</b>	<b>(114,692)</b>	<b>(172,008)</b>	<b>113,585</b>	<b>(7,001)</b>	<b>(22,384)</b>	<b>324,651</b>

<sup>1</sup> Included in Loans and advances under the "Non-interest bearing" category are provisions for impairment losses and accrued interest on loans.

## 19. Liquidity and funding risk management

### (a) Liquidity portfolio management

The NZ Banking Group held the following financial assets for the purpose of managing liquidity risk:

As at	Note	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>Cash and cash equivalents</b>				
Cash and balances with central banks	5	542,247	251,078	909,115
Due from other financial institutions (call or original maturity of 3 months or less) <sup>1</sup>	6	116,339	115,946	267,872
Due from related parties <sup>2</sup>		589	904	999
<b>Total cash and cash equivalent</b>		<b>659,175</b>	<b>367,928</b>	<b>1,177,986</b>
<b>Investment securities</b>				
Registered bank securities	7	75,618	30,085	30,160
Multilateral development banks and other international organisations	7	242,377	130,418	147,278
Government securities	7	5,782	5,906	5,764
<b>Total investment securities</b>		<b>323,777</b>	<b>166,409</b>	<b>183,202</b>
<b>Total liquidity portfolio</b>		<b>982,952</b>	<b>534,337</b>	<b>1,361,188</b>

<sup>1</sup> Due from other financial institutions includes nostro accounts and short-term placements held with other financial institutions.

<sup>2</sup> Due from related parties includes nostro account balances held with the Ultimate Parent Bank.

### (b) Contractual maturity analysis of financial liabilities

The table below presents the NZ Banking Group's cash flows by remaining period to contractual maturity as at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows and include principal and future interest cash flows and therefore will not agree to the carrying amounts on the balance sheet, except for derivatives held for trading where the full mark to market amount has been included.

Actual cash flows may differ significantly from the contractual cash flows presented below as a result of future actions of the NZ Banking Group and its counterparties such as early repayments or refinancing of term loans. The contractual maturity analysis for off-balance sheet commitments and contingent liabilities has been prepared using the earliest date at which the NZ Banking Group can be called upon to pay. The liquidity risk of credit related commitments and contingent liabilities may be less than the contract amount and does not necessarily represent future cash requirements as many of these facilities are expected to be only partially used or to expire unused. The NZ Banking Group does not manage its liquidity risk based on the analysis presented in the below table.

As at 30 June 23 (Unaudited)	On demand \$000	0-3 months \$000	3-12 months \$000	1-5 years \$000	Over 5 years \$000	Total \$000	Carrying amount \$000
<b>Non-derivative financial liabilities</b>							
Due to other financial institutions	-	355,876	494,432	35,000	-	885,308	873,218
Deposits from customers	31,517	194,766	182,846	4,907	1,541	415,577	406,767
Debt securities issued	-	159,970	203,534	556,117	-	919,621	829,680
Due to related parties	-	891,590	235,059	874,379	-	2,001,028	1,872,441
Lease liabilities	-	257	773	3,296	187	4,513	4,305
<b>Total non-derivative financial liabilities</b>	<b>31,517</b>	<b>1,602,459</b>	<b>1,116,644</b>	<b>1,473,699</b>	<b>1,728</b>	<b>4,226,047</b>	<b>3,986,411</b>
<b>Derivative financial liabilities</b>							
Held for trading	-	634	-	-	-	634	
Gross settled – cash inflow	-	(692,081)	(141,888)	(1,017,499)	-	(1,851,468)	
Gross settled – cash outflow	-	721,647	168,555	1,008,606	-	1,898,808	
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>30,200</b>	<b>26,667</b>	<b>(8,893)</b>	<b>-</b>	<b>47,974</b>	<b>40,681</b>
<b>Lending commitments (off-balance sheet)</b>	<b>1,231,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,231,690</b>	
<b>As at 30 June 22 (Unaudited)</b>							
<b>Non-derivative financial liabilities</b>							
Due to other financial institutions	-	375,536	50,739	52,511	-	478,786	474,514
Deposits from customers	44,592	79,235	201,293	2,469	-	327,589	324,506
Debt securities issued	-	213,574	386,205	596,258	-	1,196,037	1,166,499
Due to related parties	-	512,304	609,508	952,568	-	2,074,380	1,968,149
Subordinated debt	-	168	377	15,168	-	15,713	15,131
Lease liabilities	-	241	724	4,239	274	5,478	5,166
<b>Total non-derivative financial liabilities</b>	<b>44,592</b>	<b>1,181,058</b>	<b>1,248,846</b>	<b>1,623,213</b>	<b>274</b>	<b>4,097,983</b>	<b>3,953,965</b>
<b>Derivative financial liabilities</b>							
Held for trading	-	-	-	1,165	-	1,165	
Gross settled – cash inflow	-	(144,116)	(107,399)	(198,675)	-	(450,190)	
Gross settled – cash outflow	-	146,128	112,071	200,365	-	458,564	
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>2,012</b>	<b>4,672</b>	<b>2,855</b>	<b>-</b>	<b>9,539</b>	<b>9,335</b>
<b>Lending commitments (off-balance sheet)</b>	<b>863,471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>863,471</b>	
<b>As at 31 December 22 (Audited)</b>							
<b>Non-derivative financial liabilities</b>							
Due to other financial institutions	-	1,289,382	106,590	51,000	-	1,446,972	1,443,579
Deposits from customers	39,076	211,040	164,795	15,318	-	430,229	463,343
Debt securities issued	-	42,565	295,401	445,237	-	783,203	754,322
Due to related parties	-	190,971	670,052	835,920	-	1,696,943	1,567,527
Subordinated debt	-	189	15,300	-	-	15,489	15,189
Lease liabilities	-	241	756	3,768	231	4,996	4,738
<b>Total non-derivative financial liabilities</b>	<b>39,076</b>	<b>1,734,388</b>	<b>1,252,894</b>	<b>1,351,243</b>	<b>231</b>	<b>4,377,832</b>	<b>4,248,698</b>
<b>Derivative financial liabilities</b>							
Held for trading	-	199	1,508	-	-	1,707	
Gross settled – cash inflow	-	(315,887)	(600,335)	(804,915)	-	(1,721,137)	
Gross settled – cash outflow	-	344,128	639,671	809,637	-	1,793,436	
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>28,440</b>	<b>40,844</b>	<b>4,722</b>	<b>-</b>	<b>74,006</b>	<b>69,781</b>
<b>Lending commitments (off-balance sheet)</b>	<b>1,001,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,001,612</b>	

## 20. Concentrations of funding

Concentrations of funding arise where the NZ Banking Group is funded by industries of a similar nature or in particular geographies. The following table presents the NZ Banking Group's concentrations of funding, which are reported by industry and geographic area.

ANZSIC codes have been used as the basis for disclosing industry sectors.

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>Total funding comprises</b>			
Due to other financial institutions	873,218	474,514	1,443,579
Deposits from customers	406,767	324,506	463,343
Debt securities issued	829,680	1,166,499	754,322
Due to related parties	1,872,441	1,968,149	1,567,527
Subordinated debt	-	15,131	15,189
<b>Total funding</b>	<b>3,982,106</b>	<b>3,948,799</b>	<b>4,243,960</b>
<b>Concentration of funding by industry sector</b>			
Accommodation and food services	10,032	6,042	-
Agriculture, forestry and fishing	3,252	11,469	4,961
Construction	27,180	17,914	29,292
Financial and insurance services	1,859,169	1,762,422	2,425,592
Households	13,483	6,118	11,270
Local government administration	50,657	50,660	51,000
Manufacturing	1,636	1,156	2,213
Other	77,341	72,793	74,065
Rental, hiring and real estate services	6,379	16,437	12,013
Retail trade	248	250	303
Transport, postal and warehousing	60,228	20,088	50,490
Wholesale trade	60	170	45
<b>Subtotal</b>	<b>2,109,665</b>	<b>1,965,519</b>	<b>2,661,244</b>
Due to related parties (including subordinated debt)	1,872,441	1,983,280	1,582,716
<b>Total funding</b>	<b>3,982,106</b>	<b>3,948,799</b>	<b>4,243,960</b>
<b>Concentration of funding by geographic region <sup>1</sup></b>			
New Zealand	1,323,534	1,503,629	1,340,202
Other countries	2,658,572	2,445,170	2,903,758
<b>Total funding</b>	<b>3,982,106</b>	<b>3,948,799</b>	<b>4,243,960</b>

<sup>1</sup> The geographic region used for debt securities issued is based on the nature of the debt programmes.

## 21. Capital adequacy

The NZ Banking Group is subject to the capital adequacy requirements for registered banks as specified by the RBNZ for two banking licenses, one for CCBNZL and another in relation to the branch. The RBNZ has set minimum regulatory capital requirements for banks that are consistent with the internationally agreed framework (commonly known as Basel III) developed by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide methods for measuring the risks incurred by banks. The branch and CCBNZL must comply with RBNZ's registration requirements, including any minimum capital ratios under the conditions of registration for each respective banking licence.

The objective of the Basel III framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks. Basel III consists of three pillars - Pillar 1 covers the capital requirements for banks for credit, operational and market risks, Pillar 2 covers all other material risks not already included in Pillar 1, and Pillar 3 relates to market disclosure.

### Capital management

The primary objectives of the NZ Banking Group's capital management is to ensure that the NZ Banking Group complies with the externally imposed capital requirements set by the RBNZ and maintains strong credit ratings and healthy capital ratios in order to support the future development and growth of the business and to maximise shareholder value.

The Boards of Directors for CCBNZL and the Overseas Bank have ultimate responsibility for ensuring there is adequate overall capital in relation to the entities' risk profiles and establish minimum internal capital levels and limits above the regulatory minimums to reduce the risk of breaching regulatory requirements. CCBNZL and the Overseas Bank each actively monitor their capital adequacy as part of ICAAP, for CCBNZL, which complies with the requirements set out in BPR100: Capital Adequacy, and the "Internal Capital Assessment" for the Overseas Bank, and reports this on a regular basis to senior management and the respective Boards.

The key features of the ICAAP and Internal Capital Assessment:

- Development of a capital management strategy, including preferred capital range, capital buffers and contingency plans;
- Consideration of regulatory capital requirements, the Overseas Banking Group's strategy and risk appetite;
- Identifying and evaluating all risk types, estimating capital utilisation and incorporating the impact of adverse economic scenarios; and
- Consideration of the perspectives of external stakeholders including rating agencies, equity investors and debt investors.

#### CCBNZL regulatory requirement

Capital ratios are used to define minimum capital requirements for each of: CET1, Tier 1 capital (CET1 plus AT1), and Total capital (Tier 1 plus Tier 2), as a percentage of risk-weighted assets. CCBNZL calculated its regulatory capital requirements in accordance with the RBNZ's BPR Framework under Standardised approach. As a condition of registration, CCBNZL must comply with the following minimum requirements set by the RBNZ:

- Total capital ratio must not be less than 8% of risk weighted exposures.
- Tier 1 capital ratio must not be less than 6% of risk weighted exposures.
- Common Equity Tier 1 capital ratio must not be less than 4.5% of risk weighted exposures.
- Capital of CCBNZL must not be less than \$30 million.

CCBNZL has complied with all the relevant RBNZ minimum capital ratios to which it was subject to during the reporting period. CCBNZL's total capital ratio was 18.65% as at 30 June 2023.

#### Overseas Banking Group regulatory requirement

In accordance with the CBIRC's Capital Rules for Commercial Banks (Provisional) and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The CET1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides capital conservation buffer requirements, additional buffer requirements of Global and Domestic Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

Based on the approval for the Overseas Banking Group to implement the advanced capital management method in 2014, the CBIRC approved the Overseas Banking Group to expand the implementation scope of the advanced capital management method in April 2020. The Overseas Banking Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

Both the Overseas Bank and the Overseas Banking Group are required to hold minimum capital and disclose capital adequacy ratios in accordance with both the Capital Rules for Commercial Banks (Provisional) (CBIRC Order [2012] No. 1) and are required to publicly disclose this capital adequacy information on a quarterly basis.

This information is available via the Overseas Bank's website ([www.ccb.com](http://www.ccb.com)).

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

The capital ratios below have been calculated in accordance with the Capital Rules for Commercial Banks (Provisional), issued by the CBIRC.

As at	Unaudited 30 Jun 23	Unaudited 30 Jun 22	Unaudited 31 Dec 22
<b>Ultimate Parent Bank Group</b>			
Common equity tier 1 capital ratio	12.75%	13.40%	13.69%
Tier 1 capital ratio	13.39%	13.93%	14.40%
Total capital ratio	17.40%	17.95%	18.42%
<b>Ultimate Parent Bank</b>			
Common equity tier 1 capital ratio	12.60%	13.36%	13.67%
Tier 1 capital ratio	13.21%	13.81%	14.35%
Total capital ratio	17.39%	18.03%	18.56%

## Capital instruments

### Ordinary shares

In accordance with the RBNZ Capital Adequacy Framework (Standardised Approach), ordinary share capital is classified as CET1 capital.

In relation to the ordinary shares:

- there are no options or facilities for early redemptions, conversion, write-down or capital repayment;
- there is no predetermined dividend rate;
- there is no maturity date;
- there are no options granted or to be granted pursuant to any arrangement;
- they have equal voting rights and share equally in dividends and profit on winding up. They represent the most subordinated claim on winding up; and
- dividends are declared and paid out from distributable items (including retained earnings), subject to restrictions as per the conditions of registration applicable to the Bank.

## Credit and market risk

### Additional mortgage information

#### Residential mortgages by loan-to-valuation ratio

As at 30 June 23 (Unaudited)	Does not exceed 80% \$000	Exceeds 80% and not 90% \$000	Exceeds 90% \$000	Total \$000
<b>Loan-to-valuation ratio</b>				
On-balance sheet exposures				
Residential mortgages - owner occupied	393,232	-	-	393,232
Residential mortgages - investment	372,278	-	-	372,278
<b>Total on-balance sheet exposures</b>	<b>765,510</b>	-	-	<b>765,510</b>
Off-balance sheet exposures	940	-	-	940
<b>Value of exposures</b>	<b>766,450</b>	-	-	<b>766,450</b>

The information in the above table is in respect of the total residential mortgage loans used to calculate the NZ Banking Group's Pillar 1 capital requirement for credit risk, categorised by loan-to-valuation ratio.

Any residential mortgage loan for which no loan-to-valuation ratio is available is included in the category for loan-to-valuation ratios that exceed 90%.

The following table is a reconciliation between any figures disclosed elsewhere in the Disclosure Statement that relate to mortgages on residential property:

#### Reconciliation of residential mortgage related amount

As at 30 June 23 (Unaudited)	Note	\$000
Total residential mortgages	8	772,849
Reconciling items:		
Less: Provision for impairment losses on credit exposures	16 (a)	(7,339)
<b>On-balance sheet exposures</b>	16 (a)	<b>765,510</b>
<b>Off-balance sheet exposures</b>		<b>940</b>
<b>Total residential mortgage exposures</b>		<b>766,450</b>



**Market risk**

As at 30 June 23 (Unaudited)	End of period capital charge		Peak end-of-day capital charge	
	Implied risk weighted exposure \$000	Aggregate capital charge \$000	Implied risk weighted exposure \$000	Aggregate capital charge \$000
Interest rate risk	59,592	4,767	75,682	6,055
Foreign currency risk	4,835	387	6,275	502
<b>Total market risk</b>	<b>64,427</b>	<b>5,154</b>	<b>81,957</b>	<b>6,557</b>

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the six months ended 30 June 2023 of the aggregate capital charge at the close of each business day derived in accordance with Part A of BPR140: Market Risk.

**Other Disclosures****22. Insurance business, securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products****Insurance**

The NZ Banking Group does not conduct any insurance business.

**Securitisation, funds management, other fiduciary activities and marketing and distribution of insurance products**

The NZ Banking Group is not involved in:

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

**23. Commitments and contingent liabilities**

The NZ Banking Group is party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, financial guarantees, standby letters of credit, trade letters of credit, non-financial guarantees and underwriting facilities.

The NZ Banking Group's exposure to credit loss in the event of non-performance by the other party is represented by the contract or notional amount of those financial instruments. The NZ Banking Group uses the same credit policies in making commitments and conditional obligations for off-balance sheet risk as it does for on-balance sheet financial instruments.

Credit related and other commitments (contractual or notional amount) and contingent liabilities arising in respect of the NZ Banking Group's operations were:

As at	Unaudited 30 Jun 23 \$000	Unaudited 30 Jun 22 \$000	Audited 31 Dec 22 \$000
<b>Credit related commitments and contingent liabilities</b>			
Commitments to extend credit <sup>1</sup>	1,081,805	716,633	857,028
Standby letters of credit	147,735	144,671	142,360
Non-financial guarantees	2,150	2,167	2,224
<b>Total credit related commitments and contingent liabilities</b>	<b>1,231,690</b>	<b>863,471</b>	<b>1,001,612</b>

<sup>1</sup> Commitments to extend credit includes provision for off-balance sheet credit related business.

There were no other capital commitments and contingent liabilities as at 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

**24. Events subsequent to the reporting date**

There was no material event that occurred subsequent to the reporting date that requires recognition or additional disclosure in these financial statements.

## 25. Other material matters

The External Reporting Board ("XRB") issued the following climate-related standards in December 2022:

- Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1) - provides a framework for entities to consider climate-related risks and opportunities;
- Aotearoa New Zealand Climate Standard 2: Adoption of Climate-related Disclosures (NZ CS 2) - outlines a limited number of adoption provisions; and
- Aotearoa New Zealand Climate Standard 3: General Requirements for Climate-related Disclosures (NZ CS 3) - establishes principles and general requirements.

These standards are applicable for annual reporting periods beginning on or after 1 January 2023, except for assurance of greenhouse gas ("GHG") emission requirements which are applicable to annual reporting periods that end on or after 27 October 2024. The NZ Banking Group is working to ensure that climate statements are produced in accordance with this timetable.

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

## 26. Conditions of registration

The branch and CCBNZL have complied with all conditions of registration over the accounting period. There have been no changes to the conditions of registration between 1 January 2023 to 30 June 2023 for the branch.

## 27. Other information on the Overseas Banking Group

As at	30 June 23
<b>Profitability</b>	
Net profit after tax for the period ended 30 June 2023	RMB 167,295 million
Net profit after tax for the 12 months ended 30 June 2023 as a % of average total assets	0.91%
<b>Size</b>	
Total assets	RMB 38,254,706 million
% change in total assets from 30 June 2022	13.55%
<b>As at</b>	
<b>30 June 23</b>	
<b>Asset quality</b>	
Total gross individually impaired assets	RMB 316,636 million
Total individually impaired assets as a % of total assets	0.83%
Total individual credit impairment allowance	RMB 195,312 million
Total individual credit impairment allowance as a % of total gross individually impaired assets	61.68%
Total collective impairment allowance	RMB 576,400 million

The amounts included in this summary have been taken from the most recent publicly available data.

## 28. Credit ratings of the Overseas Bank

As at the date of signing this Disclosure Statement, the following credit ratings were assigned to the Overseas Bank applicable to its long-term senior unsecured obligations payable in foreign currency:

Rating Agency	Current credit	Rating outlook
Standard & Poor's Ratings Services	A	Stable
Moody's Investors Service	A1	Stable
Fitch Ratings	A	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 agencies. Investors in the Bank's securities are cautioned to evaluate each rating independently of any other rating. There have been no changes to any of the above credit ratings in the two years prior to the signing date of this Disclosure Statement.

### Descriptions of the credit rating scales are as follows:

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:

Rating Agency	S&P Global Ratings <sup>1</sup>	Moody's Investors Service <sup>2</sup>	Fitch Ratings <sup>1</sup>
<b>Investment grade:</b>			
Ability to repay principal and interest is extremely strong. This is the highest investment category.	AAA	Aaa	AAA
Very strong ability to repay principal and interest.	AA	Aa	AA
Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.	A	A	A
Adequate ability to repay principal and interest. More vulnerable to adverse changes.	BBB	Baa	BBB
<b>Speculative grade:</b>			
Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.	BB	Ba	BB
Greater vulnerability and therefore greater likelihood of default.	B	B	B
Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.	CCC	Caa	CCC
Highest risk of default.	CC to C	Ca to C	CC to C
Obligations currently in default.	D	-	RD & D

<sup>1</sup> S&P Global Ratings and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories.

<sup>2</sup> Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications with 1 indicating the higher end and 3 the lower end of the rating category.

## Assurance engagements performed by Ernst & Young

China Construction Bank Corporation New Zealand Banking Group (the “Group”) comprises the New Zealand business of China Construction Bank Corporation (incorporated in China and trading as China Construction Bank Corporation New Zealand Branch) and China Construction Bank (New Zealand) Limited.

Our assurance procedures consisted of the following:

- ▶ Limited assurance over the condensed interim financial statements (the “Interim Financial Statements”) of the Group for the six months ended 30 June 2023 that are required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) included on pages 6 to 34 of the Disclosure Statement. These pages also include the Supplementary Information, and the Credit and Market Risk Exposures and Capital Adequacy Information which are subject to separate conclusions as described below and so are not covered by the Interim Financial Statements assurance.
- ▶ Limited assurance over the information required by Clause 23 of the Order to be disclosed in accordance with Schedule 5 (being the “additional information on statement of financial position” that is presented on the balance sheet, “additional information on income statement” that is presented on the statement of comprehensive income and in Note 3, “additional information on concentrations of credit risk” (Note 17), “additional information on concentrations of funding” (Note 20), “additional information on interest rate sensitivity” (Note 18), “additional information on liquidity risk” (Note 19), “registered bank profitability and size” (Note 27) and reconciliation of mortgage-related amounts (Note 21)), Schedule 7 (Asset Quality in Notes 4 and 16), Schedule 12 (Insurance, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products in Note 22) and Schedule 14 (Risk Management Policies on page 18) of the Order (together the “Supplementary Information”).
- ▶ Limited assurance over the information required by Clause 23 of the Order to be disclosed in accordance with Schedule 9 of the Order which is disclosed in Note 21 (the “Credit and Market Risk Exposures and Capital Adequacy Information”).

## Independent Auditor’s Review Report to the Directors of China Construction Bank Corporation

### Report on the Interim Financial Statements and Supplementary Information

#### Conclusion

We have reviewed the Interim Financial Statements and Supplementary Information (as defined above). The Interim Financial Statements comprise the:

- ▶ balance sheet of the Group as at 30 June 2023;
- ▶ statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended of the Group; and
- ▶ notes to the Interim Financial Statements including a summary statement of significant accounting policies.

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

- ▶ Interim Financial Statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34), and
- ▶ Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order:
  - ▶ does not present fairly, in all material respects, the matters to which it relates; or
  - ▶ is not disclosed, in all material respects, in accordance with those schedules.

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



**Building a better  
working world**

## **Basis for conclusion**

We conducted our review in accordance with New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the Interim Financial Statements and Supplementary Information* section of our report.

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

Ernst & Young provides financial statement audit, interim review and other assurance services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

## **Directors' responsibilities for the Interim Financial Statements and Supplementary Information**

The Directors of China Construction Bank Corporation are responsible, on behalf of the entity, for the preparation and fair presentation of the Interim Financial Statements in accordance with Clause 26 of the Order, which requires the Interim Financial Statements to comply with NZ IAS 34 and IAS 34, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors of China Construction Bank Corporation are responsible, on behalf of the entity, for the preparation and disclosure of the Supplementary Information which presents fairly, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order.

## **Auditor's responsibilities for the review of the Interim Financial Statements and Supplementary Information**

Our responsibility is to express a conclusion on the Interim Financial Statements and Supplementary Information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the:

- ▶ Interim Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- ▶ Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order:
  - ▶ does not present fairly, in all material respects, the matters to which it relates; or
  - ▶ is not disclosed, in all material respects, in accordance with those schedules.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Statements and Supplementary Information.

The engagement partner on the review resulting in this independent auditor's review report is Emma Winsloe.

Chartered Accountants  
Auckland  
30 August 2023



**Building a better  
working world**

## **Independent Assurance Report to the Directors of China Construction Bank Corporation**

### **Limited assurance report on the Credit and Market Risk Exposures and Capital Adequacy Information**

#### **Conclusion**

We have undertaken a limited assurance engagement on the compliance of the Group's Credit and Market Risk Exposures and Capital Adequacy Information, in all material respects, with Schedule 9 of the Order.

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 Credit and Market Risk Exposures and Capital Adequacy Information disclosed in Note 21 to the Disclosure Statement is not disclosed, in all material respects, in accordance with Schedule 9 of the Order.

#### **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 the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### **Directors' Responsibilities**

The Directors of China Construction Bank Corporation are responsible for:

1. Compliance with the Order, including Clause 23 which requires the Credit and Market Risk Exposures and Capital Adequacy Information to be included in the Disclosure Statement in accordance with Schedule 9 of the Order.
2. Identification of risks that threaten compliance with Clause 23 and Schedule 9 of the Order being met, controls which will mitigate those risks and monitoring ongoing compliance.

#### **Our Independence and Quality Management**

We have complied with the independence and other requirements of 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 which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies 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 Group's Credit and Market Risk Exposures and Capital Adequacy Information is not disclosed, in all material respects, 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 Group's Credit and Market Risk Exposures and Capital Adequacy Information is not disclosed, in all material respects, in accordance with Schedule 9 of the Order.



## Building a better working world

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, 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 Schedule 9 of the Order is likely to arise.

Given the circumstances of the engagement, in performing the procedures listed above we:

- ▶ Obtained an understanding of the Group's compliance framework and internal control environment to consider whether the Credit and Market Risk Exposures and Capital Adequacy Information is in compliance with the Reserve Bank of New Zealand's (RBNZ) prudential requirements for banks.
- ▶ Obtained an understanding of the processes, models, data and internal controls implemented over the preparation of the Credit and Market Risk Exposures and Capital Adequacy Information.
- ▶ Agreed selected elements of the Credit and Market Risk Exposures and Capital Adequacy Information to information extracted from the Group's models, accounting records or other supporting documentation.
- ▶ Performed analytical and other procedures on the Credit and Market Risk Exposures and Capital Adequacy Information disclosed in accordance with Schedule 9 and considered its consistency with the Interim Financial Statements of the Group.
- ▶ Obtained an understanding and assessed the impact of any matters of non-compliance, advised to us or of which we otherwise became aware, with the RBNZ's prudential requirements for banks that relate to credit and market risk exposures and capital adequacy information and inspected relevant correspondence with RBNZ.

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 and 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 Clause 23 and Schedule 9.

Ernst & Young provides financial statement audit, interim review and other assurance services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

### Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected. A limited assurance engagement on the Group's disclosure of Credit and Market Risk Exposures and Capital Adequacy Information in the Disclosure Statement for the six months ended 30 June 2023 does not provide assurance on whether compliance will continue in the future.

### Restrictions on Use of Report

This report has been prepared for the Directors of China Construction Bank Corporation for the purpose of providing limited assurance that the Group's Credit and Market Risk Exposures and Capital Adequacy Information has complied with Schedule 9 of the Order. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Directors of China Construction Bank Corporation for our limited assurance work, for this report, or for the conclusions we have formed. We acknowledge that our report will be included in the Group's Disclosure Statement

A stylized, handwritten signature of 'Ernst &amp; Young' in a dark blue or black ink.

Chartered Accountants  
Auckland  
30 August 2023