



Bank of China

New Zealand Banking Group

Disclosure Statement for the six months ended

30 June 2023

TABLE OF CONTENTS

1	GENERAL INFORMATION AND DEFINITIONS	1
2	GUARANTEE ARRANGEMENTS	1
3	DIRECTORATE	1
4	AUDITOR.....	2
5	CONDITIONS OF REGISTRATION.....	2
6	PENDING PROCEEDINGS OR ARBITRATION.....	2
7	CREDIT RATINGS	2
8	OTHER MATERIAL MATTERS	2
9	DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENTS	3
	FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023	4

1 GENERAL INFORMATION AND DEFINITIONS

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

In this Disclosure Statement:

- The "Overseas Bank" and "BoC" mean Bank of China Limited;
- The "Overseas Banking Group" means the total worldwide business of BoC including its controlled entities;
- The "Branch" means the Auckland Branch of the Overseas Bank;
- "BoC NZ" means Bank of China (New Zealand) Limited, the locally incorporated subsidiary of the Overseas Bank;
- The "NZ Banking Group" means the New Zealand operations of the Overseas Bank comprising the Branch and BoC NZ;
- "Board" means the board of directors of the Overseas Bank;
- "China" means the People's Republic of China;
- "RMB" means Renminbi, being the official currency of China; and
- "Reserve Bank" means the Reserve Bank of New Zealand.

Words and phrases not defined in this Disclosure Statement, but defined by the Order, have the meaning given by the Order when used in this Disclosure Statement. All amounts referred to in this Disclosure Statement are in New Zealand dollars unless otherwise stated.

The Disclosure Statement of the NZ Banking Group is available for download, free of charge, on BoC NZ's website (www.bankofchina.com/nz). 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.

2 GUARANTEE ARRANGEMENTS

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

3 DIRECTORATE

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

Mr. Chen Jianbo resigned as Non-executive Director of the Overseas Bank, member of Strategic Development Committee, Corporate Culture and Consumer Protection Committee and Risk Policy Committee of the Board of 17 April 2023.

Mr. Ge Haijiao began to serve as the Chairman, Executive Director, chair and member of the Strategic Development Committee of the Board as of 25 April 2023.

Mr. Zhang Yong began to serve as Non-executive Director of the Board as well as member of the Strategic Development Committee, member of the Audit Committee and member of the Risk Policy Committee of the Board as of 9 June 2023 while Non-executive Director Mr. Huang Binghua ceased to serve as member of the Audit Committee of the Board with effect from the same day.

Ms. Xiao Lihong retired as Non-executive Director of the Bank, chair and member of the Risk Policy Committee, member of the Strategic Development Committee of the Board as of 30 June 2023.

Ms. Wang Xiaoya retired as Non-executive Director of the Overseas Bank, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee, and member of the Personnel and Remuneration Committee of the Board as of 30 June 2023.

The Directors of the Overseas Bank (the "Directors") at the date when this Disclosure Statement was signed were:

GE Haijiao (Chairman of the Board), Liu Jin (Vice Chairman & President), Lin Jingzhen, Zhang Jiangang, Huang Binghua, Zhang Yong, Jiang Guohua, Martin Cheung Kong Liao, Chui Sai Peng Jose, Jean-Louis Ekra, E Weinan and Giovanni Tria.

4 AUDITOR

The name of the NZ Banking Group's auditor is PricewaterhouseCoopers. Their address is PwC Tower, Level 27, 15 Customs Street West, Auckland 1010, New Zealand.

5 CONDITIONS OF REGISTRATION

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

6 PENDING PROCEEDINGS OR ARBITRATION

As at the date of this Disclosure Statement, there are no pending legal proceedings or arbitration 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.

7 CREDIT RATINGS

The Overseas Bank has the following credit ratings as at the date this Disclosure Statement was signed.

Credit ratings	Standard & Poor's Global Ratings	Moody's Investor Service	Fitch Ratings
Long-term counterparty credit rating	A	A1	A
Outlook	Stable	Stable	Stable

During the two-year period ended immediately before the signing date, there was no change to the Overseas Bank's credit ratings.

A credit rating is not a recommendation to buy, sell or hold securities of the Overseas Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency.

Investors in the Overseas Bank's securities are cautioned to evaluate each rating independently of any other rating.

For an explanation of the credit rating scales, see the table under "10.2 Description of credit rating scale" in the NZ Banking Group's 31 December 2022 Disclosure Statement.

8 OTHER MATERIAL MATTERS

In December 2022, the External Reporting Board published the Aotearoa New Zealand Climate Standards. These include a framework for considering climate-related risks and opportunities as well as principles and general requirements to enable disclosure of high-quality climate related disclosures. In particular, Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures (NZ CS 3) will require the NZ Banking Group to produce climate-related disclosures from the year ending 31 December 2023. The NZ Banking Group is actively working towards producing the required disclosures and expects to be able to do so within the required time frame.

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

9 DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENTS


Each Director of the Overseas Bank and the Chief Executive Officer of the Branch believe, after due enquiry, that, as at the date on which this Disclosure Statement is signed:

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

Each Director of the Overseas Bank and the Chief Executive Officer of the Branch believe, after due enquiry, that, over the six months ended 30 June 2023:

- (1) the Overseas Bank has complied with all conditions of registration; and
- (2) the Branch had systems in place to monitor and control adequately the material risks of relevant members of the NZ Banking Group including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied. For this purpose, a relevant member of the NZ Banking Group means a member of the NZ Banking Group that is not a member of BoC NZ's banking group.

This Disclosure Statement is dated 30 August 2023 and has been signed by Mr. Beihai Hu as the Chief Executive Officer of the Branch and as agent authorised in writing by each director of the Overseas Bank.



Beihai Hu

Chief Executive Officer of the Auckland Branch

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

STATEMENT OF COMPREHENSIVE INCOME	5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH FLOWS	8
1 ACCOUNTING POLICIES	9
2 OTHER OPERATING INCOME	10
3 IMPAIRMENT (CHARGES)/BENEFITS	10
4 CASH AND LIQUID ASSETS	10
5 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS.....	11
6 LOANS AND ADVANCES.....	11
7 ASSET QUALITY	12
8 CUSTOMER DEPOSITS	18
9 PAYABLES DUE TO CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS	18
10 DEBT SECURITIES ON ISSUE	18
11 COMMITMENTS AND CONTINGENCIES.....	18
12 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES	19
13 RELATED PARTY TRANSACTIONS.....	21
14 CONCENTRATION OF CREDIT EXPOSURES	22
15 CONCENTRATION OF FUNDING	23
16 INSURANCE BUSINESS	24
17 RISK MANAGEMENT	24
18 CAPITAL ADEQUACY	27
19 OTHER INFORMATION OF THE OVERSEAS BANKING GROUP	27
20 EVENTS SUBSEQUENT TO THE REPORTING DATE.....	28
INDEPENDENT AUDITOR'S REVIEW REPORT	29

STATEMENT OF COMPREHENSIVE INCOME


\$000	Note	Unaudited Six months ended 30/06/23	Unaudited Six months ended 30/06/22	Audited Year ended 31/12/22
Interest income		180,215	87,951	220,722
Interest expense		(142,933)	(55,838)	(156,177)
Net interest income		37,282	32,113	64,545
Other operating income	2	4,475	2,591	4,966
Net operating income		41,757	34,704	69,511
Operating expenses		(14,638)	(10,973)	(24,843)
Impairment (charges)/benefits	3	(13,020)	(4,665)	(6,396)
Profit before income tax		14,099	19,066	38,272
Income tax expense		(3,956)	(5,341)	(10,726)
Profit after income tax		10,143	13,725	27,546
Other comprehensive income/(expense), net of tax				
Items that will not be reclassified to profit or loss				
		-	-	-
Items that may be reclassified to profit or loss:				
Net change in FVTOCI reserve (net of tax)		1,126	(2,342)	(4,856)
Total other comprehensive income/(expense) for the period/year, net of tax		1,126	(2,342)	(4,856)
Total comprehensive income for the period/year		11,269	11,383	22,690

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at \$000	Note	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Assets				
Cash and liquid assets	4	1,172,843	811,311	1,036,435
Receivables due from other financial institutions	5	74,868	-	74,942
Derivative assets		15,335	9,594	13,080
FVTOCI securities		357,367	331,689	289,237
Loans and advances	6	4,996,881	4,619,281	4,748,009
Other assets		26,510	14,254	20,545
Current tax assets		112	-	-
Right-of-use assets		1,226	2,178	1,702
Deferred tax assets		12,217	7,938	8,635
Property and equipment		688	1,081	924
Intangible assets		64	147	105
Total assets		6,658,111	5,797,473	6,193,614
Liabilities				
Customer deposits	8	1,020,715	838,750	971,075
Payables due to central banks and other financial institutions	9	4,973,616	4,241,972	4,649,158
Derivative liabilities		12,105	10,187	13,075
Current tax liabilities		-	1,661	2,658
Debt securities on issue	10	223,486	349,939	169,883
Other liabilities		87,377	35,807	57,759
Lease liabilities		1,288	2,209	1,751
Total liabilities		6,318,587	5,480,525	5,865,359
Net assets		339,524	316,948	328,255
Equity				
Head office account				
Retained earnings		42,363	26,453	36,234
Total Head office account		42,363	26,453	36,234
Contributed equity		223,307	223,307	223,307
Reserves		(4,060)	(2,672)	(5,186)
Retained earnings		77,914	69,860	73,900
Total equity		339,524	316,948	328,255
Total interest earning and discount bearing assets		6,630,201	5,777,285	6,168,981
Total interest and discount bearing liabilities		6,192,068	5,415,164	5,769,931

The above statement of financial position should be read in conjunction with the accompanying notes.



Beihai Hu
Chief Executive Officer of the Auckland Branch of Bank of China Limited

30 August 2023

For and on behalf of the Directors of the Bank of China Limited by their attorney.
It is confirmed that the said powers of attorney appointing Beihai Hu are still in force and have not been revoked.

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 (Unaudited) \$000	Branch Head Office Account		Other members of the NZ Banking Group			Total equity
	Branch capital	Retained earnings	Contributed equity	Reserves	Retained earnings	
Balance as at 1 January 2023	-	36,234	223,307	(5,186)	73,900	328,255
Comprehensive income/(expense)						
Profit after income tax	-	6,129	-	-	4,014	10,143
Other comprehensive expense, net of tax	-	-	-	1,126	-	1,126
Total comprehensive income/(expense)	-	6,129	-	1,126	4,014	11,269
Balance as at 30 June 2023	-	42,363	223,307	(4,060)	77,914	339,524

For the six months ended 30 June 2022 (Unaudited) \$000	Branch Head Office Account		Other members of the NZ Banking Group			Total equity
	Branch capital	Retained earnings	Contributed equity	Reserves	Retained earnings	
Balance as at 1 January 2022	-	16,043	223,307	(330)	66,545	305,565
Comprehensive income/(expense)						
Profit after income tax	-	10,410	-	-	3,315	13,725
Other comprehensive income/(expense), net of tax	-	-	-	(2,342)	-	(2,342)
Total comprehensive income/(expense)	-	10,410	-	(2,342)	3,315	11,383
Balance as at 30 June 2022	-	26,453	223,307	(2,672)	69,860	316,948

For the year ended 31 December 2022 (Audited) \$000	Branch Head Office Account		Other members of the NZ Banking Group			Total equity
	Branch capital	Retained earnings	Contributed equity	Reserves	Retained earnings	
Balance as at 1 January 2022	-	16,043	223,307	(330)	66,545	305,565
Comprehensive income/(expense)						
Profit after income tax	-	20,191	-	-	7,355	27,546
Other comprehensive expense, net of tax	-	-	-	(4,856)	-	(4,856)
Total comprehensive income/(expense)	-	20,191	-	(4,856)	7,355	22,690
Branch profit repatriated	-	-	-	-	-	-
Balance as at 31 December 2022	-	36,234	223,307	(5,186)	73,900	328,255

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the period ended \$000	Note	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Cash flows from operating activities				
Interest received		160,808	74,444	190,253
Interest paid		(114,469)	(43,018)	(118,475)
Other operating income received		1,577	3,250	5,053
Operating expenses paid		(13,766)	(9,973)	(23,076)
Income tax paid		(10,746)	(11,693)	(15,801)
Net cash flows from operating activities before changes in operating assets and liabilities		23,404	13,010	37,954
Net changes in operating assets and liabilities:				
Net change in cash collateral paid included in cash and liquid assets		-	(2,008)	(2,008)
Net change in receivables due from other financial institutions		-	-	(75,000)
Net change in FVTOCI securities		(64,404)	(239,930)	(202,562)
Net change in loans and advances		(249,146)	(104,672)	(223,413)
Net change in other assets		364	(660)	(758)
Net change in customer deposits		50,671	35,078	167,408
Net change in payables due to central banks and other financial institutions		324,458	370,122	777,307
Net change in other liabilities		(1,383)	2,631	637
Net changes in operating assets and liabilities		60,560	60,561	441,611
Net cash flows from operating activities		83,964	73,571	479,565
Cash flows from investing activities				
Purchase of property and equipment		(106)	(19)	(203)
Purchase of intangible assets		-	(13)	(13)
Net cash flows from investing activities		(106)	(32)	(216)
Cash flows from financing activities				
Issuance of debt securities		243,013	-	19,773
Repayments of debt securities		(190,000)	(20,000)	(220,000)
Branch profit repatriated		-	-	-
Principal elements of lease payments		(463)	(453)	(912)
Net cash flows from financing activities		52,550	(20,453)	(201,139)
Net change in cash and cash equivalents		136,408	53,086	278,210
Cash and cash equivalents at beginning of the period		1,034,427	756,217	756,217
Cash and cash equivalents at end of the period	4	1,170,835	809,303	1,034,427
Cash and cash equivalents comprise:				
Cash and liquid assets		1,172,843	811,311	1,036,435
Less: cash collateral paid included in cash and liquid assets		(2,008)	(2,008)	(2,008)
Cash and cash equivalents at end of year		1,170,835	809,303	1,034,427

The above statement of cash flows should be read in conjunction with the accompanying notes.

Certain comparative information has been restated to ensure consistency with presentation in the current period.

1 ACCOUNTING POLICIES

1.1 Reporting Entity

The reporting group is the NZ Banking Group which is an aggregation of the Auckland Branch (“Branch”) of Bank of China Limited and Bank of China (New Zealand) Limited (“BoC NZ”), a locally incorporated subsidiary of Bank of China Limited (the “Overseas Bank”). The basis of aggregation is an addition of the NZ Banking Group entities' individual financial statements. All transactions and balances between entities within the NZ Banking Group have been fully eliminated. The principal activity is the provision of a range of banking products and services to retail, business, corporate and institutional customers.

1.2 Basis of preparation

These condensed interim financial statements of the NZ Banking Group (the “financial statements”) have been prepared in accordance with the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (“the Order”).

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), the New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting*, the International Accounting Standard 34: *Interim Financial Reporting* and other applicable financial reporting standards, as appropriate for profit-oriented entities and should be read in conjunction with the Disclosure Statement for the year ended 31 December 2022. The financial statements were approved for issue by the Chief Executive Officer of the Branch for and on behalf of the Directors of the Bank of China Limited by their attorney on 30 August 2023.

1.3 Basis of measurement

These financial statements have been prepared on a going concern basis and on a historical cost basis, except for the following assets and liabilities are stated at their fair value:

- derivative financial instruments; and
- financial instruments measured at fair value through other comprehensive income.

1.4 Presentation currency and rounding

Items included in the financial statements of the NZ Banking Group are measured using the currency of the primary economic environment in which the NZ Banking Group operates (“the functional currency”). All amounts contained in the financial statements are presented in thousands of New Zealand dollars, which is the NZ Banking Group’s functional and presentation currency, unless otherwise stated.

1.5 Changes in accounting policies

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended 31 December 2022.

1.6 Assumptions and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information regarding the critical estimates, judgements and assumptions is provided in the financial statements for the year ended 31 December 2022. Actual results may differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Bank and that are believed to be reasonable under the circumstances.

Updated estimates, judgements and assumptions in relation to the provision for expected credit losses are set out in Note 7.

2 OTHER OPERATING INCOME

\$000	Unaudited Six months ended 30/06/23	Unaudited Six months ended 30/06/22	Audited Year ended 31/12/22
Lending and credit facility related fee income	175	93	211
Fund management fee and consulting fee income	1,148	1,523	2,766
Other fees and commissions ¹	153	364	225
Net gains/(losses) on financial instruments mandatorily measured at FVTPL	2,958	594	1,819
Other	41	17	(55)
Total other operating income	4,475	2,591	4,966

¹ Other fees and commissions includes account management fees and transaction fees

3 IMPAIRMENT (CHARGES)/BENEFITS

For the six months ended 30 June 2023 (Unaudited) \$000	Other financial assets ¹	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	(79)	(2,584)	(9,098)	(2,075)	(13,836)
Movement in individually assessed provision	-	-	816	-	816
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment (charges)/benefits	(79)	(2,584)	(8,282)	(2,075)	(13,020)

For the six months ended 30 June 2022 (Unaudited) \$000	Other financial assets ¹	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	-	(1,489)	(3,313)	81	(4,721)
Movement in individually assessed provision	-	-	56	-	56
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment (charges)/benefits	-	(1,489)	(3,257)	81	(4,665)

For the year ended 31 December 2022 (Audited) \$000	Other financial assets ¹	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	(58)	(5,979)	(1,379)	859	(6,557)
Movement in individually assessed provision	-	-	161	-	161
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment (charges)/benefits	(58)	(5,979)	(1,218)	859	(6,396)

¹ Other financial assets includes impairment (charges)/benefits on Receivables due from other financial institutions.

4 CASH AND LIQUID ASSETS

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Cash and balances with central banks ¹	922,120	775,232	938,121
Current deposits with other financial institutions	107,630	12,297	61,745
Transaction balances with related entities	143,093	23,782	36,569
Total cash and liquid assets	1,172,843	811,311	1,036,435

¹ Cash collateral paid of \$2,008,000 is included within cash and balances with central banks (31 December 2022: \$2,008,000, 30 June 2022: \$2,008,000).

5 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Due from other financial institutions	75,000	-	75,000
Provision for expected credit losses	(132)	-	(58)
Total receivables due from other financial institutions	74,868	-	74,942

6 LOANS AND ADVANCES

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Gross loans and advances:			
Residential mortgages	1,945,776	1,851,909	1,846,318
Corporate exposures	3,079,347	2,784,228	2,922,048
Subtotal	5,025,123	4,636,137	4,768,366
Unearned income	(6,906)	(8,191)	(8,260)
Capitalised brokerage and other origination costs	12,315	11,440	10,452
Gross loans and advances	5,030,532	4,639,386	4,770,558
Provision for expected credit losses:			
Collective provision	(29,832)	(16,907)	(19,405)
Individually assessed provision	(3,819)	(3,198)	(3,144)
Total provision for expected credit losses	(33,651)	(20,105)	(22,549)
Net loans and advances	4,996,881	4,619,281	4,748,009

7 ASSET QUALITY

Information is presented separately for the following categories of loans and advances, as prescribed by the Order:

- Residential mortgages
- Corporate exposures
- Other exposures

Information on total loans and advances is an aggregate of the above asset categorisations.

Information is not presented in this note in respect of other financial assets as the related provision for ECL is not material to the NZ Banking Group.

a) Credit quality information

As at 30 June 2023 (Unaudited) \$000	Residential mortgages	Corporate exposures	Other exposures	Total
Neither past due nor impaired	1,933,050	3,074,037	-	5,007,087
Past due but not impaired				
Less than 30 days past due	12,726	-	-	12,726
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due but not impaired assets	12,726	-	-	12,726
Individually impaired assets				
Balance at beginning of the year	-	5,144	-	5,144
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions/recoveries	-	(25)	-	(25)
Other movements	-	191	-	191
Balance at end of the year	-	5,310	-	5,310
Subtotal	1,945,776	3,079,347	-	5,025,123
Unearned income	-	(6,906)	-	(6,906)
Capitalised brokerage and other origination costs	12,315	-	-	12,315
Total gross loans and advances	1,958,091	3,072,441	-	5,030,532
Individually assessed provisions				
Balance at beginning of the year	-	3,144	-	3,144
Change due to transfers between ECL stages	-	1,300	-	1,300
Charge/(credit) to the statement of comprehensive income	-	(816)	-	(816)
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	191	-	191
Balance at end of the year	-	3,819	-	3,819
Collectively assessed provisions				
Balance at beginning of the year	6,867	12,538	-	19,405
Change due to transfers between ECL stages	-	(1,300)	-	(1,300)
Charge/(credit) to the statement of comprehensive income	2,584	9,098	-	11,682
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	45	-	45
Balance at end of the year	9,451	20,381	-	29,832
Total provision for expected credit losses	9,451	24,200	-	33,651
Total net loans and advances	1,948,640	3,048,241	-	4,996,881

The NZ Banking Group had \$nil undrawn commitments to counterparties for whom drawn balances are classified as individually impaired at 30 June 2023. The NZ Banking Group does not have other assets under administration as at 30 June 2023.

b) Movement in loans and advances

For the six months ended 30 June 2023 (Unaudited) \$000	Stage 1 Collective provision 12 months ECL	Stage 2 Collective provision lifetime ECL not credit impaired	Stage 3 Collective provision lifetime ECL credit impaired	Stage 3 Individual provision lifetime ECL credit impaired	Total
Residential mortgages					
Gross balance at beginning of period	1,842,602	3,716	-	-	1,846,318
Change due to transfers between ECL stages	-	-	-	-	-
Additions	208,012	-	-	-	208,012
Deletions	(108,429)	(125)	-	-	(108,554)
Amounts written off	-	-	-	-	-
Gross balance as at end of period	1,942,185	3,591	-	-	1,945,776
Corporate exposures					
Gross balance at beginning of period	2,871,390	45,514	2,000	3,144	2,922,048
Change due to transfers between ECL stages	(10,900)	10,900	(1,975)	1,975	-
Additions	1,003,706	2,802	-	191	1,006,699
Deletions	(847,254)	(2,121)	(25)	-	(849,400)
Amounts written off	-	-	-	-	-
Gross balance as at end of period	3,016,942	57,095	-	5,310	3,079,347
Other exposures					
Gross balance at beginning of period	-	-	-	-	-
Change due to transfers between ECL stages	-	-	-	-	-
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
Amounts written off	-	-	-	-	-
Gross balance as at end of period	-	-	-	-	-
Total					
Gross balance at beginning of period	4,713,992	49,230	2,000	3,144	4,768,366
Change due to transfers between ECL stages	(10,900)	10,900	(1,975)	1,975	-
Additions	1,211,718	2,802	-	191	1,214,711
Deletions	(955,683)	(2,246)	(25)	-	(957,954)
Amounts written off	-	-	-	-	-
Subtotal	4,959,127	60,686	-	5,310	5,025,123
Unearned income					(6,906)
Capitalised brokerage and other origination costs					12,315
Gross balance as at end of period					5,030,532

c) Movement in provision for impairment

For the six months ended 30 June 2023 (Unaudited) \$000	Collective provision 12 months ECL	Collective provision lifetime ECL not credit impaired	Collective provision lifetime ECL credit impaired	Individual provision lifetime ECL credit impaired	Total
Residential mortgages					
Balance at beginning of period	6,723	144	-	-	6,867
Changes to the opening balance due to transfer between ECL stages:					
Transferred to collective provision 12 months ECL	-	-	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	-	-	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	2,561	23	-	-	2,584
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	-	-	-	-	-
Total provision for residential mortgages	9,284	167	-	-	9,451
Corporate exposures					
Balance at beginning of period	9,300	1,938	1,300	3,144	15,682
Changes to the opening balance due to transfer between ECL stages:					
Transferred to collective provision 12 months ECL	-	-	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	(72)	72	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to individual provision lifetime ECL credit impaired	-	-	(1,300)	1,300	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	7,329	1,769	-	(816)	8,282
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	45	-	-	191	236
Total provision for corporate exposures	16,602	3,779	-	3,819	24,200
Off-balance sheet credit related commitments and contingencies					
Balance at beginning of period	991	69	-	-	1,060
Changes to the opening balance due to transfer between ECL stages:					
Transferred to collective provision 12 months ECL	-	-	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	-	-	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	2,125	(50)	-	-	2,075
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	4	-	-	-	4
Total provision for off-balance sheet credit related commitments and contingencies¹	3,120	19	-	-	3,139
Total					
Balance at beginning of period	17,014	2,151	1,300	3,144	23,609
Changes to the opening balance due to transfer between ECL stages:					
Transferred to collective provision 12 months ECL	-	-	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	(72)	72	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to individual provision lifetime ECL credit impaired	-	-	(1,300)	1,300	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	12,015	1,742	-	(816)	12,941
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	49	-	-	191	240
Total provision for expected credit losses	29,006	3,965	-	3,819	36,790

¹The total provision for off-balance sheet credit related commitments and contingencies is presented in other liabilities.

The above movements in the provision for expected credit losses table does not include 'Other' credit exposures on the basis that the provision for expected credit losses is \$nil.

d) Explanation of movements in provision for expected credit losses (unaudited)

Key judgements and estimates

The following table summarises the key judgements and assumptions in relation to estimating the collectively assessed ECL and highlights significant changes during the current period. The judgements and associated assumptions have been made within the context of the current economic conditions and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. As the ECL estimates are inherently uncertain, actual results may differ from these estimate.

Judgement/Assumption	Considerations for the year ended 30 June 2023
Approach	<ul style="list-style-type: none"> There was no change to the approach in determining significant increase in credit risk (SICR) in the current period. There have been no changes to the ECL model and the approach of calculating ECL.
Forward-looking macroeconomic variables	<ul style="list-style-type: none"> The economic variables that the NZ Banking Group uses include the New Zealand GDP growth rate, unemployment rate and Consumer Price Index (CPI) based on International Monetary Fund (IMF) forecasts, as well as the consideration of historical Official Cash Rate (OCR) volatility and a country group/regional non-performing loan ratio based on historical observed values sourced from the World Bank. The latest forecasts for the above macroeconomic economic variables were refreshed in June 2023.
Measuring ECL	<ul style="list-style-type: none"> Due to the relatively short operating history of the NZ Banking Group and limited data on credit events, the NZ Banking Group used parent bank's historical data as the best estimate for the base PD, and derived a forward-looking PD matrix based on New Zealand forward-looking macroeconomic variables. There were no changes to the PD, Loss Given Default (LGD) and Exposure at Default (EAD) methodology.
Judgement	<p>The modelled ECL outcome is \$36.79 million, an increase of \$13.18 million during the first six months in 2023. Of which, \$8.50 million increase for the ECL is due to the changes in the economic outlook, and the remainder is due to the change in portfolio composition.</p> <p>The NZ Banking Group has also considered the following factors as part of its consideration of the reasonableness of the provision for ECL.</p> <p><u>Residential mortgages:</u></p> <ul style="list-style-type: none"> With the increase in the provision for ECL in relation to residential mortgages, the NZ Banking Group has performed a further detailed assessment to determine whether the modelled output is reasonable for the current New Zealand economic environment when considering the specific risks of the NZ Banking Group's residential mortgages portfolio. The assessment considered the rise in interest rates on customer serviceability and the impact of falling house prices on dynamic Loan-to-Valuation ratios (LVRs) using uncommitted monthly income (UMI) and the house price index (HPI) as data points on the NZ Banking Group's customers under different probability-weighted scenarios to understand the expected credit losses to the NZ Banking Group. Other factors, such as the potential increase in unemployment rate and climate risk, are also considered. <p><u>Corporate exposures:</u></p> <ul style="list-style-type: none"> The NZ Banking Group's corporate portfolio is well diversified across various industries. The NZ Banking Group has observed some common risk characteristics, such as increases in interest repayments and a reduction in interest coverage ratios (ICRs), resulting in covenant breaches and/or changes in conditions for some corporate loans.

- The extreme weather events in parts of the North Island in early 2023 also affected many businesses and disrupted their operating and financial performance, and the full impact is yet to flow through.

The NZ Banking Group is comfortable with the level of provisions for ECL for residential mortgages and corporate exposures as at 30 June 2023.

Base case macroeconomic variable forecast assumptions

The key macroeconomic variables and their forecasts used in the base case at 30 June 2023 are set out below:

New Zealand	Unaudited 2023	Unaudited 2024	Unaudited 2025	Unaudited 2026	Unaudited 2027	Unaudited 2028
Unemployment Rate %	4.3	5.3	5.0	4.8	4.5	4.4
GDP Growth Rate %	1.1	0.8	2.4	2.4	2.5	2.5
CPI (index)	5.5	2.6	2.5	2.3	2.1	2.0

Compared with the previous reporting period, the current unemployment rate and its projections have increased to a level above previous forecast, while the GDP Growth Rate has sharply deteriorated. Inflation remained high as evidenced by the CPI index. These factors indicate that the impact of a recessionary period has landed earlier than previously anticipated.

Historical OCR volatility and an asset quality indicator are also used to derive the forward-looking PD matrix. The asset quality indicator is the average non-performing loan ratio from the developed country group¹, including New Zealand and Australia, reflecting the source of the NZ Banking Group's customers.

Probability weightings

The probability weightings for each macroeconomic scenario are derived based on the global GDP growth rate, on the assumption that New Zealand's economic environment is highly correlated with the global economy. The same four macroeconomic scenarios and the corresponding probability weightings apply across all portfolios.

To derive the weighting for each scenario, the NZ Banking Group uses the global GDP growth rate as the core benchmark and applies the deviation of the forecast value under each scenario from the baseline forecast and the linear interpolation method to calculate the score of forecast value under each scenario.

For the upside, downside and severe downside scenarios, the NZ Banking Group applied +0.5, -0.5 and -1 standard deviation on top of the baseline forecast, respectively, based on the historical global GDP growth rate distribution sourced from the IMF, to construct macroeconomic forecasts for non-baseline scenarios and determine the weighting for each scenario by proportion of the score of each scenario with expert judgement applied.

Given the considerable uncertainty prevailing in the current economic landscape, the estimation of expected credit loss changes have been approached as a prudent assessment encompassing a spectrum of potential outcomes. To this end, the NZ Banking Group has opted to employ a mixed approach, consisting of a 30% probability assigned to a baseline scenario, a 25% probability assigned to both upside and downside scenario, and 20% to severe downside scenario, in determining its Expected Credit Loss (ECL) calculation. The selection of these scenario probabilities was informed by the NZ Banking Group's view of the range of potential outcomes based on latest economic baseline, which was updated utilising financial and economic forecasts as of June 2023, while also closely aligned with internal risk measures.

The following table summarises the weightings the NZ Banking Group has applied to each scenario in determining the provision for ECL:

As at	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Base case	30%	30%	30%
Upside	25%	25%	25%
Downside	25%	25%	25%
Severe downside	20%	20%	20%

¹ This country group includes New Zealand, Australia, Canada, France, Germany, Japan, Korea, Luxemburg, Singapore, UK and Cayman Islands.

Sensitivity analysis

The following table details the increase/(decrease) in the NZ Banking Group's provision for ECL in relation to loans and advances and credit related commitments and contingencies, assuming a 100% weighting on each scenario and holding all other assumptions constant. Information is not presented in the table below in respect of other financial assets as the related provision for ECL is not material to the NZ Banking Group.

As at 30 June 2023	Unaudited	Unaudited
\$000	100% weighting	Difference to the reported probability-weighted ECL
Base case	35,313	(1,476)
Upside	30,689	(6,100)
Downside	39,555	2,766
Severe downside	43,178	6,389
Weighted Avg	36,790	-

Movements in provision for ECL

Movement of collective provision

For the financial year ended 30 June 2023, the NZ Banking Group had a net increase of \$12.51 million in the total collective provision, as detailed below:

- Collective provision 12-months ECL (Stage 1) increased by \$11.99 million during the period:
 - an increase of \$2.56 million in ECL from residential mortgages, predominantly due to the combined effect of current economic conditions and updated forward-looking macroeconomic variables, and the remaining \$0.53 million was due to the loan growth;
 - an increase of \$7.30 million in Corporate loan ECL, including \$6.46 million predominantly due to the change of economic outlook, and the rest is due to the growth of corporate loans and advances during the first six months; and
 - an increase of \$2.13 million predominantly due to the updated forward-looking macroeconomic variables and \$287 million net increase in off-balance sheet credit related commitments and contingencies.
- Collective provision lifetime ECL not credit impaired (Stage 2) increased by \$1.82 million, predominantly due to the downgrade of a corporate customer's risk grade.
- Collective provision lifetime ECL credit impaired (Stage 3) decreased by \$1.3 million to nil as the ECL moved to stage 3 individually assessed provision.

Movement of individually assessed provision

Individually assessed provision lifetime ECL credit impaired (Stage 3) increased by \$0.68 million due to a provision movement from stage 3 collectively assessed provision and the movement in exchange rates.

As at 30 June 2023, the impaired loans in this category have a carrying value of \$5.31 million (31 December 2022: \$3.14 million), gross of provision for expected credit losses. The loans were impaired on the basis of objective evidence indicating the recoverable amount of the loans is less than the carrying value. The individually assessed provision on the loans reflects the NZ Banking Group's best estimate of the expected credit loss as at 30 June 2023.

8 CUSTOMER DEPOSITS

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Term deposits	719,965	697,602	766,105
Savings/Demand deposits	290,047	139,818	199,992
Margin deposits	10,703	1,330	4,978
Total customer deposits	1,020,715	838,750	971,075

9 PAYABLES DUE TO CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Due to other financial institutions	1,153,710	1,147,637	1,268,416
Due to related entities	3,726,906	3,001,335	3,287,742
Securities sold under agreements to repurchase from central banks ¹	93,000	93,000	93,000
Total payables due to other financial institutions	4,973,616	4,241,972	4,649,158

¹ Included in securities sold under agreements to repurchase from central banks was \$93 million (31 December 2022: \$93 million) relating to the Funding for Lending Programme.

10 DEBT SECURITIES ON ISSUE

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Certificates of deposit	73,787	-	19,904
Medium-term notes	149,699	349,939	149,979
Total debt securities issued	223,486	349,939	169,883
Movement in debt securities issued			
Balance at beginning of period	169,883	369,878	369,878
Issuance during period	243,013	-	19,773
Repayments during period	(190,000)	(20,000)	(220,000)
Other movements	590	61	232
Balance at end of period	223,486	349,939	169,883

Debt securities issued by currency

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
New Zealand Dollar	223,486	349,939	169,883
Total debt securities issued by currency	223,486	349,939	169,883

11 COMMITMENTS AND CONTINGENCIES

As at \$000	Unaudited 30/06/23	Unaudited 30/06/22	Audited 31/12/22
Credit related commitments and contingencies			
Commitments to extend credit	1,279,387	1,153,757	1,008,393
Letters of credit and guarantees	23,412	4,621	6,790
Total credit related commitments and contingencies	1,302,799	1,158,378	1,015,183

12 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement or disclosure purposes.

Fair value hierarchy of financial instruments measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (a) valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- (b) valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly (Level 2), and
- (c) valuations where significant unobservable inputs are used to measure the fair value of the asset or liability (Level 3).

As at 30 June 2023 (Unaudited) \$000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	15,335	-	15,335
FVTOCI securities	357,367	-	-	357,367
Total financial assets carried at fair value	357,367	15,335	-	372,702
Financial liabilities				
Derivative liabilities	-	12,105	-	12,105
Total financial liabilities carried at fair value	-	12,105	-	12,105

As at 30 June 2022 (Unaudited) \$000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	9,594	-	9,594
FVTOCI securities	331,689	-	-	331,689
Total financial assets carried at fair value	331,689	9,594	-	341,283
Financial liabilities				
Derivative liabilities	-	10,187	-	10,187
Total financial liabilities carried at fair value	-	10,187	-	10,187

As at 31 December 2022 (Audited) \$000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	13,080	-	13,080
FVTOCI securities	289,237	-	-	289,237
Total financial assets carried at fair value	289,237	13,080	-	302,317
Financial liabilities				
Derivative liabilities	-	13,075	-	13,075
Total financial liabilities carried at fair value	-	13,075	-	13,075

Fair value of financial instrument not measured at fair value

NZ IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of fair value of those financial instruments not carried at fair value in the statement of financial position. 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 under current market conditions. The fair value disclosure does not cover those assets and liabilities that are not considered to be financial instruments, such as fixed assets.

The following table summarises the carrying amounts and the estimated fair values of those financial instruments not measured at fair value where the carrying amount is not considered a close approximation of fair value.

As at \$000	Unaudited 30/06/23		Unaudited 30/06/22		Audited 31/12/22	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Loans and advances	4,996,881	4,975,918	4,619,281	4,472,009	4,748,009	4,714,845
Total	4,996,881	4,975,918	4,619,281	4,472,009	4,748,009	4,714,845
Financial liabilities						
Customer deposits	1,020,715	1,019,982	838,750	838,224	971,075	970,570
Payables due to other financial institutions	4,973,616	4,949,731	4,241,972	4,188,524	4,649,158	4,610,781
Debt securities on issue	223,486	223,486	349,939	349,948	169,883	169,688
Total	6,217,817	6,193,199	5,430,661	5,376,696	5,790,116	5,751,039

The following methods and assumptions were used to estimate the fair values:

- **FVTOCI securities**

FVTOCI securities include government bonds. These assets are recorded at fair value based on quoted closing market prices as at the reporting date.

- **Receivables due from other financial institutions**

For receivables due from other financial institutions repricing within six months, the carrying amount is a reasonable approximation of fair value at the reporting date. For other receivables due from other financial institutions, the fair value is estimated by discounting the cash flows based on the maturity of the receivable, using current market rates for similar instruments with similar maturity profiles.

- **Loans and advances**

Floating rate loans to customers generally reprice within six months, therefore, their fair value is assumed to equate to their carrying value. For fixed rate loans repricing longer than six months, the fair value is estimated by discounting the expected future cash flows based on maturity of the loans and advances, using current market interest rates of similar types of loans and advances in terms of credit, interest rate repricing and maturity profiles.

- **Derivative financial instruments**

The fair value of derivative financial instruments, including exchange rate contracts and interest rate swaps are obtained from observable market prices as at the reporting date or discounted cash flow models as appropriate.

- **Payables due to central banks and other financial institutions**

For payables due to central banks and other financial institutions repricing within six months, the fair value is approximated as the carrying value as at the reporting date. For other payables due to central banks and other financial institutions, the fair value is estimated by discounting the cash flows based on the maturity of the deposit, using current market rates for similar instruments with similar maturity profiles.

- **Customers deposits**

With respect to deposits from customers, the carrying amount of non-interest-bearing, call and variable rate deposits and fixed rate deposits repricing within six months approximate their fair value. For other fixed rate term deposits, the fair value is estimated by discounting the cash flows based on the maturity of the deposit, using current market rates for similar instruments with similar maturity profiles.

- **Debt securities on issue**

The fair value of medium-term notes is based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used. For certificates of deposit, the carrying amount is considered to approximate the fair value, as they are short term in nature.

13 RELATED PARTY TRANSACTIONS

The NZ Banking Group undertakes transactions with BoC and its controlled entities (the “Overseas Banking Group”).

Transactions with related parties

For the period ended	Unaudited Six months ended 30/06/23		Unaudited Six months ended 30/06/22		Audited Year ended 31/12/22	
	Overseas Bank	Other related parties	Overseas Bank	Other related parties	Overseas Bank	Other related parties
\$000						
Interest income	103	11	5	4	16	50
Interest expense	(87,602)	-	(31,761)	-	(92,547)	-
Other operating income						
Other fees and commissions	-	9	-	1	-	6
Net gains/(losses) on financial instruments	4,371	-	5,060	-	9,741	-
Operating expenses	(1,294)	-	(11)	-	(517)	-

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

Balances with related parties

As at	Unaudited 30/06/23		Unaudited 30/06/22		Audited 31/12/22	
	Overseas Bank	Other related parties	Overseas Bank	Other related parties	Overseas Bank	Other related parties
\$000						
Cash and liquid assets	131,537	11,670	11,681	12,100	33,880	2,689
Loans and advances	15,800	-	-	-	-	-
Derivative assets	15,308	-	9,400	-	13,055	-
Total related party assets	162,645	11,670	21,081	12,100	46,935	2,689
Payables due to central banks and other financial institutions	3,724,442	2,464	2,998,365	2,970	3,284,851	2,891
Derivative liabilities	51	-	790	-	22	-
Other liabilities	58,713	-	17,070	-	32,967	-
Total related party liabilities	3,783,206	2,464	3,016,225	2,970	3,317,840	2,891

No provisions for impairment losses were recognised in respect of related party assets as at 30 June 2023 (31 December 2022: \$nil and 30 June 2022: \$nil).

The NZ Banking Group undertakes transactions, loan finance and current account banking facilities with the Overseas Bank and other members of the Overseas Banking Group on normal commercial terms and are settled in accordance with the terms of the arrangement. The interest earned on these loans and interest paid on deposits are at market rates. Loans and borrowings from related parties are unsecured.

Other transactions and balances

The NZ Banking Group has entered into interest rate derivatives and exchange rate derivatives with the Overseas Bank with an aggregate notional principal amount as at 30 June 2023 of \$424,187,000 and \$150,820,000 respectively (31 December 2022: \$309,141,000 and \$1,518,000, 30 June 2022: \$237,224,000 and \$101,852,000). The carrying amount of interest rate derivatives at 30 June 2023 is split between those with a positive fair value recognised as assets of \$12,045,000 (31 December 2022: \$13,028,000, 30 June 2022: \$9,396,000), and those with a negative fair value of \$26,000 recognise as liabilities (31 December 2022: \$nil, 30 June 2022: \$nil). For exchange rate derivatives, \$3,264,000 is recognised as assets (31 December 2022: \$27,000, 30 June 2022: \$4,000) and \$25,000 is recognised as liabilities (31 December 2022: \$22,000, 30 June 2022: \$790,000).

Upon receiving a Counter Guarantee from a domestic branch of Bank of China Limited, the NZ Banking Group issues a Letter of Guarantee to the beneficiary according to the provisions under the Counter Guarantee. As at 30 June 2023, the NZ Banking Group had such Letter of guarantee issued with an aggregate outstanding amount of \$20,540,000 (31 December 2022: \$3,217,000 and 30 June 2022: \$3,278,000).

14 CONCENTRATION OF CREDIT EXPOSURES

The NZ Banking Group's concentrations of credit exposures arise where the NZ Banking Group is exposed to risk in activities or industries of a similar nature, and in particular geographies. Australia and New Zealand Standard Industrial Classification (ANZSIC) 2006 codes have been used as the basis for disclosing customer and industry sectors. The credit concentration is monitored as part of the NZ Banking Group's credit risk management framework on a regular basis.

The analysis by industry and by geographical location is as follows:

As at 30 June 2023 \$000	On-balance sheet financial assets	Off-balance sheet credit related commitments
Industry sector		
Agriculture	25,737	2,871
Forestry and Fishing	122,526	12,416
Mining	95,110	46,000
Manufacturing	171,418	302,909
Electricity, gas, water and waste services	366,153	340,000
Construction	263,077	165,966
Wholesale trade	65,178	2,296
Retail trade	168,251	17,545
Accommodation and food services	43,934	1,308
Transport, postal and warehousing	162,141	72,258
Information media and telecommunications	167,948	14,399
Financial and insurance services	1,711,199	20,540
Rental, hiring and real estate services	971,567	45,129
Professional, scientific and technical services	-	100,000
Administrative and support services	-	-
Public administration and safety	-	45,000
Education and training	-	-
Health care and social assistance	370,292	104,965
Arts and recreation services	-	-
Personal lending	1,949,430	9,163
Other services	17,960	34
Subtotal	6,671,921	1,302,799
Provision for expected credit losses ¹	(33,788)	(3,139)
Unearned income	(6,906)	-
Capitalised brokerage and other origination costs	12,315	-
Total credit exposures	6,643,542	1,299,660
Geographic area		
New Zealand	6,017,730	1,282,259
Overseas	654,192	20,540
Subtotal	6,671,921	1,302,799
Provision for expected credit losses ¹	(33,788)	(3,139)
Unearned income	(6,906)	-
Capitalised brokerage and other origination costs	12,315	-
Total credit exposures	6,643,542	1,299,660

¹ The provision for expected credit losses in the table mostly relates to loans and advances (refer to Note 6) and receivables due from other financial institutions (refer to Note 5).

15 CONCENTRATION OF FUNDING

The NZ Banking Group's 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 customer and industry sector and in terms of geographical area.

The analysis by industry and by geographical location is as follows:

As at \$000	Unaudited 30/06/23
Funding comprises	
Customer deposits	1,020,715
Payables due to central banks and other financial institutions	4,973,616
Debt securities on issue	223,486
Total funding	6,217,817
Concentration of funding by industry sector	
Agriculture, forestry and fishing	3,409
Mining	-
Manufacturing	90,810
Electricity, gas, water and waste services	50,005
Construction	36,853
Wholesale trade	65,960
Retail trade	312
Accommodation and food services	61,100
Transport, postal and warehousing	186,742
Information media and telecommunication	534
Financial and insurance services	5,199,106
Rental, hiring and real estate services	100,918
Professional, scientific and technical services	20,992
Administrative and support services	7,183
Public administration and safety	80,007
Education and training	54,810
Health care and social assistance	-
Arts and recreation services	-
Households	217,140
Other services	41,936
Total funding	6,217,817
Concentration of funding by geographical location	
New Zealand	2,347,184
Other countries	3,870,633
Total funding	6,217,817

16 INSURANCE BUSINESS

The NZ Banking Group does not conduct any insurance business, as defined in the Overseas Bank's Conditions of Registration. The Overseas Bank's Conditions of Registration can be obtained by referring to the NZ Banking Group's Disclosure Statement for the year ended 31 December 2022.

17 RISK MANAGEMENT

There have been no material changes to the NZ Banking Group's policies for managing risk, or material exposures to new categories of risk since the previous Disclosure Statement.

Additional mortgage information

Residential mortgages by loan-to-value ratio

As at 30 June 2023 (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceed 90%	Total
Loan-to-value ratio				
On-balance sheet exposures	1,950,155	2,139	-	1,952,294
Undrawn commitments and other off-balance sheet exposures	9,146	-	-	9,146
Value of exposures	1,959,301	2,139	-	1,961,440

The information in the above table relates to the NZ Banking Group and is in respect of the total residential mortgage loans used to calculate the Bank'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 amounts

As at \$000	Unaudited 30/06/23
Residential mortgages - total gross loans and advances (as disclosed in Notes 6 and 7)	1,945,776
Add: Interest receivable	3,654
Add: Capitalised brokerage and other origination costs	12,315
Less: Provision for expected credit losses (loans and advances)	(9,451)
Sub-total	1,952,294
Add: Undrawn commitments and other off-balance sheet exposures	9,163
Less: Provision for expected credit losses (off-balance sheet credit related commitments and contingencies)	(17)
Total Residential mortgages exposures disclosed in residential mortgages by loan-to-valuation ratio table	1,961,440

Market risk

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the relevant period of the aggregate capital charge at the close of each business day derived in accordance with BPR140: Market risk exposure.

As at 30 June 2023 (Unaudited) \$000	End-period capital charge		Peak end-of-day capital charge	
	Implied risk weighted exposure	Aggregated capital charge	Implied risk weighted exposure	Aggregated capital charge
Interest rate risk	44,853	3,588	81,135	6,491
Foreign currency risk	612	49	1,825	146
Equity risk	-	-	-	-
Total	45,465	3,637	82,960	6,637

Interest rate risk

Interest rate risk is defined as the risk of loss to the NZ Banking Group arising from adverse movements in market interest rates.

The NZ Banking Group manages its exposure to interest rate risk in accordance with the NZ Banking Group's relevant market risk management policies and procedures. The objective of these documents is to support the delivery of the NZ Banking Group's financial targets whilst protecting future financial security.

Interest rate risk arises mainly from mismatches in the repricing periods of financial assets and liabilities. The NZ Banking Group manages interest rate risk primarily through repricing gap analysis. Gap analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that mature or must be repriced within certain periods. The NZ Banking Group also uses the data generated by repricing gap analysis to perform sensitivity analysis, which provides relevant information in adjusting the repricing profile of interest-earning assets and interest-bearing liabilities. The NZ Banking Group closely follows local and foreign currency interest rate trends and where possible promptly adjusts the interest rates of local and foreign currency deposits and loans in order to reduce interest rate risk.

The NZ Banking Group's interest repricing gap analysis as at 30 June 2023 is as follows:

As at 30 June 2023 (Unaudited) \$000	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Non-interest bearing	Total
Financial assets							
Cash and liquid assets	1,172,843	-	-	-	-	-	1,172,843
Receivables due from other financial institutions	74,868	-	-	-	-	-	74,868
Derivative assets	-	-	-	-	-	15,335	15,335
FVTOCI securities	208,746	-	-	48,245	100,376	-	357,367
Loans and advances	2,689,994	974,913	709,515	568,197	82,504	(28,242)	4,996,881
Other financial assets	-	-	-	-	-	26,270	26,270
Total financial assets	4,146,451	974,913	709,515	616,442	182,880	13,363	6,643,564
Non-financial assets							14,547
Total assets							6,658,111
Financial liabilities							
Customer deposits	693,921	151,395	117,003	20,694	11,953	25,749	1,020,715
Payables due to central banks and other financial institutions	3,164,169	813,985	288,262	367,200	340,000	-	4,973,616
Derivative liabilities	-	-	-	-	-	12,105	12,105
Debt securities on issue	169,479	54,007	-	-	-	-	223,486
Other financial liabilities	-	-	-	-	-	79,059	79,059
Total financial liabilities	4,027,569	1,019,387	405,265	387,894	351,953	116,913	6,308,981
Non-financial liabilities							9,606
Total liabilities							6,318,587
Net Gap	118,882	(44,474)	304,250	228,548	(169,073)	(103,550)	334,583

Liquidity and funding risk

Liquidity risk is the risk of not being able to meet financial obligations as they fall due and that liquidity in financial markets, such as the market for debt securities, may reduce significantly. Funding risk contributes to overall liquidity risk and is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The NZ Banking Group manages liquidity risk by continuously monitoring forecast and actual cash flows. The NZ Banking Group holds a portfolio of high-quality liquid assets as a buffer against unexpected funding requirements. These assets are readily realisable investment assets and deposits with high credit quality counterparties. The level of liquid asset holdings is reviewed frequently and is consistent with balance sheet requirements and market conditions.

Liquidity portfolio management

The NZ Banking Group held the following financial assets for the purpose of managing liquidity risk. Liquid assets include high quality assets readily convertible to cash to meet the NZ Banking Group's liquidity requirements. In management's opinion, liquidity is sufficient to meet the NZ Banking Group's present requirements:

As at \$000	Unaudited 30/06/23
Cash and cash equivalents:	
Cash and liquid assets	1,172,843
Receivables due from other financial institutions	74,868
Government securities	357,367
Total liquidity portfolio	1,605,078

Contractual maturity analysis of financial liabilities

The table below presents the NZ Banking Group's cash flows associated with financial liabilities 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.

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 underlying instruments.

The contractual maturity analysis for off-balance sheet credit related commitments and contingencies has been prepared using the earliest date at which the NZ Banking Group can be called upon to pay. The liquidity risk of off-balance sheet credit related commitments and contingencies 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.

As at 30 June 2023 (Unaudited) \$000	On demand	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Non-derivative financial liabilities							
Customer deposits	290,583	431,777	154,567	121,766	22,007	13,766	1,034,466
Payables due to central banks and other financial institutions	655,330	1,998,713	676,446	627,862	793,279	383,229	5,134,859
Debt securities on issue	-	76,300	2,572	5,089	10,206	160,206	254,373
Lease liabilities	-	239	239	478	311	40	1,307
Other financial liabilities	-	21,798	9,818	14,146	22,047	10,518	78,327
Total non-derivative financial liabilities	945,913	2,528,827	843,642	769,341	847,850	567,759	6,503,332
Derivative financial liabilities							
Net settled	-	(1,861)	(1,839)	(3,684)	(5,949)	(647)	(13,980)
Gross settled – cash inflow	-	2,547	-	-	-	-	2,547
Gross settled – cash outflow	-	(2,587)	-	-	-	-	(2,587)
Total derivative financial liabilities	-	(1,901)	(1,839)	(3,684)	(5,949)	(647)	(14,020)
Off-balance sheet credit related commitments and contingencies							
Commitments to extend credit	1,279,387	-	-	-	-	-	1,279,387
Letters of credit and guarantees	23,412	-	-	-	-	-	23,412
Total off-balance sheet credit related commitments and contingencies	1,302,799	-	-	-	-	-	1,302,799

18 CAPITAL ADEQUACY

Overseas Banking Group capital adequacy requirements

The Overseas Banking Group's capital adequacy ratios are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (Y.J.H.L[2012] No.1) and other relevant regulations promulgated by the National Administration of Financial Regulation ("NAFR") (formerly the China Banking and Insurance Regulatory Commission ("CBIRC")). With the approval of the NAFR, the Overseas Banking Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Overseas Banking Group's capital adequacy ratios are required to meet the lowest requirements of the NAFR, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 9.00%, 10.00% and 12.00%, respectively.

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

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

The table below summarises the Overseas Bank's and Overseas Banking Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (Y.J.H.L[2012] No.1) and other relevant regulations promulgated by the NAFR.

As at	Unaudited 31/03/23	Unaudited 31/03/22	Unaudited 31/12/22
Ultimate Parent Bank Group			
Common equity tier 1 capital ratio	11.63%	11.33%	11.84%
Tier 1 capital ratio	13.79%	13.30%	14.11%
Total capital ratio	17.53%	16.64%	17.52%
Ultimate Parent Bank			
Common equity tier 1 capital ratio	11.19%	11.12%	11.37%
Tier 1 capital ratio	13.59%	13.32%	13.89%
Total capital ratio	17.76%	17.04%	17.67%

19 OTHER INFORMATION OF THE OVERSEAS BANKING GROUP

The most recent period for which net profit after tax for the Overseas Banking Group is publicly available is for the 3 months ended 31 March 2023 and the Overseas Banking Group achieved a profit of RMB 61.725 billion.

The most recent period for which information on the net profit after tax for the Overseas Banking Group over the previous 12 month period expressed as a percentage of the average of total assets is publicly available is for the year ended 31 December 2022 and it was 0.85%.

The most recent date for which the total assets balance of the Overseas Banking Group is available is as at 31 March 2023 and it was RMB 30,385.693 billion. The percentage change in total assets over the 12 months ended on that date was 10.66%.

As at	Audited 31/12/22
Asset quality	
Total individually impaired assets (RMB millions)	231,677
Total individually impaired assets as a percentage of total assets	0.80%
Total individual credit impairment allowance (RMB millions)	172,499
Total individually assessed provisions as a percentage of total gross individually impaired assets	74.46%
Total collective credit impairment allowance (RMB millions)	264,257
Total assets (RMB millions)	28,913,857

Note: the most recent publicly available data above has been extracted from the 2022 Overseas Banking Group Annual Report as disclosed to the Hong Kong Stock Exchange.

20 EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no material events that occurred subsequent to the reporting date which require recognition or additional disclosure in these financial statements.



Independent auditor's review report

To the Directors of Bank of China Limited

Report on the condensed interim Financial Statements and the Supplementary Information excluding credit and market risk exposures and capital adequacy information disclosed in accordance with Schedule 9

Our conclusion

We have reviewed the condensed interim financial statements (the Financial Statements) for the six month period ended 30 June 2023 of Bank of China Limited (the Overseas Bank) in respect of the New Zealand operations (the NZ Banking Group) as required by clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the Order) and the supplementary information disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order (the Supplementary Information), excluding information relating to credit and market risk exposures and capital adequacy required to be disclosed in accordance with Schedule 9 of the Order contained in the half year disclosure statement (the Disclosure Statement).

The Financial Statements comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six month period then ended and notes, comprising significant accounting policies and other explanatory notes

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

- Financial Statements of the NZ Banking Group, 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; or
 - has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

Basis for conclusion

We conducted our review in accordance with the 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 Financial Statements and Supplementary Information* section of our report.

We are independent of the NZ Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In addition to our role as auditor, our firm carries out other services for the NZ Banking Group. These services are compliance assurance over information required on credit and market risk exposures and capital adequacy. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. The provision of these other services and relationships have not impaired our independence.



Responsibilities of the Directors for the Disclosure Statement

The Directors of the Overseas Bank (the Directors) are responsible, on behalf of the Overseas Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 26 of the Order, 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 the Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Overseas Bank, for the preparation and fair presentation of the Disclosure Statement which includes:

- all of the information prescribed in Schedule 3 of the Order; and
- the information prescribed in Schedules 5, 7, 9, 12 and 14 of the Order.

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

Our responsibility is to express a conclusion on the 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:

- 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; or
 - if applicable, has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

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

Who we report to

This report is made solely to the Directors, as a body. Our review work has been undertaken so that we might state to them those matters which we are required to state to them in our 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, as a body, for our review procedures, for this report, or for the conclusions we have formed.

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Philip Taylor', written over a faint, larger signature that reads 'PricewaterhouseCoopers'.

Chartered Accountants
30 August 2023

Auckland, New Zealand



Independent Assurance Report

To the Directors of Bank of China Limited

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

Our conclusion

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

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 NZ Banking Group's information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 23 of the Order and disclosed in notes 17 and 18, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion

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

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

Directors' responsibilities

The Directors are responsible on behalf of Bank of China Limited for compliance with the Order, including clause 23 of the Order which requires information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the NZ Banking Group's Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Our independence and quality management

We have complied with the independence and other ethical 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 the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply 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 our 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.

We are independent of the NZ Banking Group. Other than in our capacity as auditor and provider of compliance assurance services over information required on credit and market risk exposures and capital adequacy, we have no relationship with, or interests in, the NZ Banking Group. Certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. These relationships have not impaired our independence.



Assurance practitioner's responsibilities

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

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the 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 clause 23 of the Order in respect of the information relating to credit and market risk exposures and capital adequacy is likely to arise.

Given the circumstances of the engagement we:

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

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement 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 the compliance requirements.

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 the compliance requirements may occur and not be detected.

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



Use of report

This report has been prepared for use by the Directors, as a body, for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors, as a body, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Philip Taylor.

PricewaterhouseCoopers

Chartered Accountants
30 August 2023

Auckland, New Zealand