



# **Bank of China**

# **New Zealand Banking Group**

**Disclosure Statement for the six months ended**

**30 June 2024**

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## 1 GENERAL INFORMATION AND DEFINITIONS

The Disclosure Statement is for the six months ended 30 June 2024. Certain information contained in this Disclosure Statement is required by section 81 of 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;
- "Directors" means the directors of the Overseas Bank;
- "China" means the People's Republic of China;
- "RMB" means Renminbi, being the official currency of China;
- "Reserve Bank" means the Reserve Bank of New Zealand; and
- "NAFR" means the National Administration of Financial Regulation.

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](http://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 2023:

Ms. Lou Xiaohui began to serve as Non-executive Director of the Overseas Bank as well as member of the Strategic Development Committee and member of the Connected Transactions Control Committee of the Board with effect from 1 April 2024.

Mr. Zhang Yi began to serve as Executive Director of the Overseas Bank as well as member of the Strategic Development Committee and member of the Connected Transactions Control Committee of the Board with effect from 3 April 2024 and resigned as Executive Director of the Overseas Bank, member of the Strategic Development Committee, member of the Connected Transactions Control Committee of the Board and Executive Vice President of the Overseas Bank with effect from 16 May 2024.

Mr. Liu Jin began to serve as Executive Vice President of the Overseas Bank with effect from 3 April 2024 and resigned as Vice Chairman and Executive Director of the Overseas Bank, member of the Strategic Development Committee of the Board and President of the Overseas Bank with effect from 25 August 2024.

Mr. E Weinan resigned as Independent 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 with effect from 5 July 2024.

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

Ge Haijiao (Chairman of the Board and Acting President), Lin Jingzhen, Zhang Yong, Zhang Jiangang, Huang Binghua, Liu Hui, Shi Yongyan, Lou Xiaohui, Martin Cheung Kong Liao, Chui Sai Peng Jose, Jean-Louis Ekra, Giovanni Tria and Liu Xiaolei.

## 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.

Rating agency	Current credit rating	Rating outlook
Standard & Poor's Global Ratings	A	Stable
Moody's Investors Service	A1	Negative
Fitch Ratings	A	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 2023 Disclosure Statement.

## 8 OTHER MATERIAL MATTERS

The NZ Banking Group published its first Climate Related Disclosures on 26 April 2024. These disclosures are available for download, free of charge, on the BoC NZ's website ([www.bankofchina.com/nz](http://www.bankofchina.com/nz)).

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 which 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

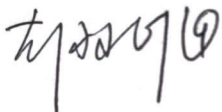
Each Director of the Overseas Bank and the Chief Executive Officer of the Branch believe, after due enquiry, that, as at the date on which this Disclosure Statement is signed:

- (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 2024:

- (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 29 August 2024 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 2024

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## STATEMENT OF COMPREHENSIVE INCOME

For the period ended \$000	Note	Unaudited 6 months 30/06/24	Unaudited 6 months 30/06/23	Audited Year ended 31/12/23
Interest income		234,997	180,215	403,532
Interest expense		(186,935)	(142,933)	(320,867)
<b>Net interest income</b>		<b>48,062</b>	<b>37,282</b>	<b>82,665</b>
Other operating income	2	1,067	4,475	7,001
<b>Net operating income</b>		<b>49,129</b>	<b>41,757</b>	<b>89,666</b>
Operating expenses		(14,423)	(14,638)	(29,098)
Impairment (charges)/benefits	3	407	(13,020)	(15,433)
<b>Profit before income tax</b>		<b>35,113</b>	<b>14,099</b>	<b>45,135</b>
Income tax expense		(9,900)	(3,956)	(12,654)
<b>Profit after income tax</b>		<b>25,213</b>	<b>10,143</b>	<b>32,481</b>
<b>Other comprehensive income, net of tax</b>				
<b>Items that will not be reclassified to profit or loss</b>		-	-	-
<b>Items that may be reclassified to profit or loss:</b>				
Net change in FVTOCI revaluation reserve (net of tax)		12	1,126	2,683
<b>Total other comprehensive income/(expense) for the year, net of tax</b>		<b>12</b>	<b>1,126</b>	<b>2,683</b>
<b>Total comprehensive income for the year</b>		<b>25,225</b>	<b>11,269</b>	<b>35,164</b>

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

## STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2024 (Unaudited) \$000	Branch Head Office		Other members of the NZ Banking			Total equity
	Branch capital	Retained earnings	Contributed equity	Reserves	Retained earnings	
Balance as at 1 January 2024	-	15,600	223,307	(2,503)	84,250	320,654
<b>Comprehensive income/(expense)</b>						
Profit after income tax	-	13,570	-	-	11,643	25,213
Other comprehensive expense, net of tax	-	-	-	12	-	12
<b>Total comprehensive income/(expense)</b>	-	<b>13,570</b>	-	<b>12</b>	<b>11,643</b>	<b>25,225</b>
Dividends paid on ordinary shares	-	-	-	-	-	-
Branch profit repatriated	-	-	-	-	-	-
<b>Balance as at 30 June 2024</b>	-	<b>29,170</b>	<b>223,307</b>	<b>(2,491)</b>	<b>95,893</b>	<b>345,879</b>

For the 6 months ended 30 June 2023 (Unaudited) \$000	Branch Head Office		Other members of the NZ Banking			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
<b>Comprehensive income/(expense)</b>						
Profit after income tax	-	6,129	-	-	4,014	10,143
Other comprehensive expense, net of tax	-	-	-	1,126	-	1,126
<b>Total comprehensive income/(expense)</b>	-	<b>6,129</b>	-	<b>1,126</b>	<b>4,014</b>	<b>11,269</b>
Dividends paid on ordinary shares	-	-	-	-	-	-
Branch profit repatriated	-	-	-	-	-	-
<b>Balance as at 30 June 2023</b>	-	<b>42,363</b>	<b>223,307</b>	<b>(4,060)</b>	<b>77,914</b>	<b>339,524</b>

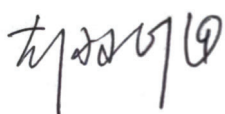
For the year ended 31 December 2023 (Audited) \$000	Branch Head Office		Other members of the NZ Banking			Total equity
	Branch capital	Retained earnings	Contributed equity	Reserves	Retained earnings	
Balance as at 1 January 2023	-	36,234	223,307	(5,186)	73,900	328,255
<b>Comprehensive income/(expense)</b>						
Profit after income tax	-	14,776	-	-	17,705	32,481
Other comprehensive expense, net of tax	-	-	-	2,683	-	2,683
<b>Total comprehensive income/(expense)</b>	-	<b>14,776</b>	-	<b>2,683</b>	<b>17,705</b>	<b>35,164</b>
Dividends paid on ordinary shares	-	-	-	-	(7,355)	(7,355)
Branch profit repatriated	-	(35,410)	-	-	-	(35,410)
<b>Balance as at 31 December 2023</b>	-	<b>15,600</b>	<b>223,307</b>	<b>(2,503)</b>	<b>84,250</b>	<b>320,654</b>



## STATEMENT OF FINANCIAL POSITION

As at \$000	Note	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
<b>Assets</b>				
Cash and liquid assets	4	643,465	1,172,843	1,115,569
Receivables due from other financial institutions	5	84,992	74,868	49,980
Derivative assets		8,756	15,335	11,937
FVTOCI securities		288,441	357,367	293,527
Loans and advances	6	5,774,870	4,996,881	5,634,465
Other assets		35,206	26,510	35,056
Current tax assets		-	112	-
Right-of-use assets		288	1,226	771
Deferred tax assets		13,435	12,217	13,598
Property and equipment		522	688	560
Intangible assets		6	64	29
<b>Total assets</b>		<b>6,849,981</b>	<b>6,658,111</b>	<b>7,155,492</b>
<b>Liabilities</b>				
Customer deposits	8	1,064,427	1,020,715	884,194
Payables due to central banks and other financial institutions	9	5,094,341	4,973,616	5,532,995
Derivative liabilities		11,204	12,105	11,936
Current tax liabilities		5,450	-	5,447
Debt securities on issue	10	199,861	223,486	283,646
Provisions		8,146	4,342	9,098
Other liabilities		120,311	83,035	106,681
Lease liabilities		362	1,288	841
<b>Total liabilities</b>		<b>6,504,102</b>	<b>6,318,587</b>	<b>6,834,838</b>
<b>Net assets</b>		<b>345,879</b>	<b>339,524</b>	<b>320,654</b>
<b>Equity</b>				
<b>Head office account</b>				
Retained earnings		29,170	42,363	15,600
<b>Total Head office account</b>		<b>29,170</b>	<b>42,363</b>	<b>15,600</b>
Contributed equity		223,307	223,307	223,307
Reserves		(2,491)	(4,060)	(2,503)
Retained earnings		95,893	77,914	84,250
<b>Total equity</b>		<b>345,879</b>	<b>339,524</b>	<b>320,654</b>
Total interest earning and discount bearing assets		6,821,872	6,630,201	7,122,032
Total interest and discount bearing liabilities		6,344,132	6,192,068	6,687,878

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

29 August 2024

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 CASH FLOWS

For the period ended \$000	Note	Unaudited 6 months 30/06/24	Unaudited 6 months 30/06/23	Audited Year ended 31/12/23
<b>Cash flows from operating activities</b>				
Interest received		221,629	160,808	359,646
Interest paid		(172,736)	(114,469)	(262,251)
Other operating income received		3,688	1,577	7,413
Operating expenses paid		(13,866)	(13,766)	(27,440)
Income tax paid		(9,739)	(10,746)	(15,871)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>28,976</b>	<b>23,404</b>	<b>61,497</b>
Net changes in operating assets and liabilities:				
Net change in receivables due from other financial institutions		(35,000)	-	25,000
Net change in FVTOCI securities		8,988	(64,404)	6,862
Net change in loans and advances		(131,260)	(249,146)	(878,212)
Net change in other assets		(663)	364	(335)
Net change in customer deposits		180,233	50,671	(86,881)
Net change in payables due to central banks and other financial institutions		(438,654)	324,458	883,838
Net change in provisions and other liabilities		1,655	(1,383)	1,150
<b>Net changes in operating assets and liabilities</b>		<b>(414,701)</b>	<b>60,560</b>	<b>(48,578)</b>
<b>Net cash flows from operating activities</b>		<b>(385,725)</b>	<b>83,964</b>	<b>12,919</b>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment		(100)	(106)	(252)
<b>Net cash flows from investing activities</b>		<b>(100)</b>	<b>(106)</b>	<b>(252)</b>
<b>Cash flows from financing activities</b>				
Issuance of debt securities		39,349	243,013	420,171
Repayments of debt securities		(125,000)	(190,000)	(310,000)
Principal elements of lease payments		(479)	(463)	(939)
Branch profit repatriated		-	-	(35,410)
Dividends paid		-	-	(7,355)
<b>Net cash flows from financing activities</b>		<b>(86,130)</b>	<b>52,550</b>	<b>66,467</b>
<b>Net change in cash and cash equivalents</b>		<b>(471,955)</b>	<b>136,408</b>	<b>79,134</b>
Cash and cash equivalents at beginning of the period		1,113,561	1,034,427	1,034,427
<b>Cash and cash equivalents at end of the period</b>		<b>641,606</b>	<b>1,170,835</b>	<b>1,113,561</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and liquid assets	4	643,465	1,172,843	1,115,569
Less: cash collateral paid included in cash and liquid assets		(2,008)	(2,008)	(2,008)
Add: provisions for expected credit losses		149	-	-
<b>Cash and cash equivalents at end of year</b>		<b>641,606</b>	<b>1,170,835</b>	<b>1,113,561</b>

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

## 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 2023. 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 29 August 2024.

### 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 measured at 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 2023.

### 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 2023. 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 NZ Banking Group 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

For the period ended \$000	Unaudited 6 months 30/06/24	Unaudited 6 months 30/06/23	Audited Year ended 31/12/23
Lending and credit facility related fee income	237	175	414
Fund management fee income	1,157	1,148	2,380
Other fees and commissions <sup>1</sup>	180	153	343
Net gains on financial instruments mandatorily measured at FVTPL	(420)	2,958	3,737
Other	(87)	41	127
<b>Total other operating income</b>	<b>1,067</b>	<b>4,475</b>	<b>7,001</b>

<sup>1</sup> Other fees and commissions includes account management fees and transaction fees

## 3 IMPAIRMENT (CHARGES)/BENEFITS

For the 6 months ended 30 June 2024 (Unaudited) \$000	Other financial assets <sup>1</sup>	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	(161)	1,797	4,233	1,321	7,190
Movement in individually assessed provision	-	-	(6,783)	-	(6,783)
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Total impairment (charges)/benefits</b>	<b>(161)</b>	<b>1,797</b>	<b>(2,550)</b>	<b>1,321</b>	<b>407</b>

For the 6 months ended 30 June 2023 (Unaudited) \$000	Other financial assets <sup>1</sup>	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	-	-	-	-	-
<b>Total impairment (charges)/benefits</b>	<b>(79)</b>	<b>(2,584)</b>	<b>(8,282)</b>	<b>(2,075)</b>	<b>(13,020)</b>

For the year ended 31 December 2023 (Audited) \$000	Other financial assets <sup>1</sup>	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	23	(5,561)	(11,569)	(1,818)	(18,925)
Movement in individually assessed provision	-	(318)	3,810	-	3,492
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
<b>Total impairment (charges)/benefits</b>	<b>23</b>	<b>(5,879)</b>	<b>(7,759)</b>	<b>(1,818)</b>	<b>(15,433)</b>

<sup>1</sup> Other financial assets includes impairment (charges)/benefits on Cash and liquid assets, Receivables due from other financial institutions and FVTOCI securities.

## 4 CASH AND LIQUID ASSETS

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Cash and balances with central banks <sup>1</sup>	578,535	922,120	1,081,777
Current deposits with other financial institutions	15,578	107,630	11,137
Transaction balances with related entities	49,501	143,093	22,655
Provision for expected credit losses	(149)	-	-
<b>Total cash and liquid assets</b>	<b>643,465</b>	<b>1,172,843</b>	<b>1,115,569</b>

<sup>1</sup> Cash collateral paid of \$2,008,000 is included within cash and balances with central banks (30 June 2023: \$2,008,000, 31 December 2023: \$2,008,000).

## 5 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Due from other financial institutions	80,000	75,000	50,000
Due from related entities	5,000	-	-
Provision for expected credit losses	(8)	(132)	(20)
<b>Total receivables due from other financial institutions</b>	<b>84,992</b>	<b>74,868</b>	<b>49,980</b>

## 6 LOANS AND ADVANCES

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
<b>Gross loans and advances:</b>			
Residential mortgages	2,126,693	1,945,776	2,112,088
Corporate exposures	3,678,281	3,079,347	3,550,867
<b>Subtotal</b>	<b>5,804,974</b>	<b>5,025,123</b>	<b>5,662,955</b>
Unearned income	(9,571)	(6,906)	(7,621)
Capitalised brokerage and other origination costs	16,694	12,315	15,560
<b>Gross loans and advances</b>	<b>5,812,097</b>	<b>5,030,532</b>	<b>5,670,894</b>
<b>Provision for expected credit losses:</b>			
Collective provision	(27,426)	(29,832)	(35,470)
Individually assessed provision	(9,801)	(3,819)	(959)
<b>Total provision for expected credit losses</b>	<b>(37,227)</b>	<b>(33,651)</b>	<b>(36,429)</b>
<b>Net loans and advances</b>	<b>5,774,870</b>	<b>4,996,881</b>	<b>5,634,465</b>

## 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 2024 (Unaudited) \$000	Residential mortgages	Corporate exposures	Other exposures	Total
<b>Neither past due nor impaired</b>	<b>2,108,423</b>	<b>3,659,972</b>	-	<b>5,768,395</b>
<b>Past due but not impaired</b>				
Less than 30 days past due	14,341	-	-	14,341
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	1,615	-	-	1,615
At least 90 days past due	-	-	-	-
<b>Total past due but not impaired assets</b>	<b>15,956</b>	-	-	<b>15,956</b>
<b>Individually impaired assets</b>				
Balance at beginning of the period	2,314	634	-	2,948
Additions	-	17,674	-	17,674
Amounts written off	-	-	-	-
Deletions/recoveries	-	-	-	-
Other movements	-	1	-	1
<b>Balance at end of the period</b>	<b>2,314</b>	<b>18,309</b>	-	<b>20,623</b>
<b>Subtotal</b>	<b>2,126,693</b>	<b>3,678,281</b>	-	<b>5,804,974</b>
Unearned income	-	(9,571)	-	(9,571)
Capitalised brokerage and other origination costs	16,694	-	-	16,694
<b>Total gross loans and advances</b>	<b>2,143,387</b>	<b>3,668,710</b>	-	<b>5,812,097</b>
<b>Individually assessed provisions</b>				
Balance at beginning of the period	325	634	-	959
Change due to transfers between ECL stages	-	2,058	-	2,058
Charge/(credit) to the statement of comprehensive income	-	6,783	-	6,783
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	1	-	1
<b>Balance at end of the period</b>	<b>325</b>	<b>9,476</b>	-	<b>9,801</b>
<b>Collectively assessed provisions</b>				
Balance at beginning of the period	12,421	23,049	-	35,470
Change due to transfers between ECL stages	-	(2,058)	-	(2,058)
Charge/(credit) to the statement of comprehensive income	(1,797)	(4,233)	-	(6,030)
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	44	-	44
<b>Balance at end of the period</b>	<b>10,624</b>	<b>16,802</b>	-	<b>27,426</b>
<b>Total provision for expected credit losses</b>	<b>10,949</b>	<b>26,278</b>	-	<b>37,227</b>
<b>Total net loans and advances</b>	<b>2,132,438</b>	<b>3,642,432</b>	-	<b>5,774,870</b>

The NZ Banking Group had \$nil undrawn commitments to counterparties for whom drawn balances are classified as individually impaired at 30 June 2024. The NZ Banking Group does not have other assets under administration as at 30 June 2024.

(b) Movement in loans and advances

For the 6 months ended 30 June 2024 (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
<b>Residential mortgages</b>					
Gross balance at beginning of the period	2,098,665	11,109	-	2,314	2,112,088
Change due to transfers between ECL stages	(1,081)	1,081	-	-	-
Additions	157,845	-	-	-	157,845
Deletions	(143,053)	(187)	-	-	(143,240)
Amounts written off	-	-	-	-	-
<b>Gross balance as at end of the period</b>	<b>2,112,376</b>	<b>12,003</b>	<b>-</b>	<b>2,314</b>	<b>2,126,693</b>
<b>Corporate exposures</b>					
Gross balance at beginning of the period	3,515,872	34,361	-	634	3,550,867
Change due to transfers between ECL stages	(11,588)	(6,087)	-	17,675	-
Additions	1,293,373	7,660	-	-	1,301,033
Deletions	(1,173,619)	-	-	-	(1,173,619)
Amounts written off	-	-	-	-	-
<b>Gross balance as at end of the period</b>	<b>3,624,038</b>	<b>35,934</b>	<b>-</b>	<b>18,309</b>	<b>3,678,281</b>
<b>Other exposures</b>					
Gross balance at beginning of the period	-	-	-	-	-
Change due to transfers between ECL stages	-	-	-	-	-
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
Amounts written off	-	-	-	-	-
<b>Gross balance as at end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>					
Gross balance at beginning of the period	5,614,537	45,470	-	2,948	5,662,955
Change due to transfers between ECL stages	(12,669)	(5,006)	-	17,675	-
Additions	1,451,218	7,660	-	-	1,458,878
Deletions	(1,316,672)	(187)	-	-	(1,316,859)
Amounts written off	-	-	-	-	-
<b>Subtotal</b>	<b>5,736,414</b>	<b>47,937</b>	<b>-</b>	<b>20,623</b>	<b>5,804,974</b>
Unearned income					(9,571)
Capitalised brokerage and other origination costs					16,694
<b>Gross balance as at end of the period</b>					<b>5,812,097</b>

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

For the 6 months ended 30 June 2024 (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
<b>Residential mortgages</b>					
Balance at beginning of the period	11,036	1,385	-	325	12,746
Changes to the opening balance due to transfer between ECL stages:					-
Transferred to collective provision 12 months ECL	334	(334)	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	(22)	22	-	-	-
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)	(3,150)	1,353	-	-	(1,797)
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	-	-	-	-	-
<b>Total provision for residential mortgages</b>	<b>8,198</b>	<b>2,426</b>	<b>-</b>	<b>325</b>	<b>10,949</b>
<b>Corporate exposures</b>					
Balance at beginning of the period	19,675	3,374	-	634	23,683
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	(166)	166	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to individual provision lifetime ECL credit impaired	-	(2,058)	-	2,058	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	(3,807)	(426)	-	6,783	2,550
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	44	-	-	1	45
<b>Total provision for corporate exposures</b>	<b>15,746</b>	<b>1,056</b>	<b>-</b>	<b>9,476</b>	<b>26,278</b>
<b>Off-balance sheet credit related commitments and contingencies</b>					
Balance at beginning of the period	2,724	154	-	-	2,878
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)	(1,167)	(154)	-	-	(1,321)
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	4	-	-	-	4
<b>Total provision for off-balance sheet credit related commitments and contingencies<sup>1</sup></b>	<b>1,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,561</b>
<b>Total</b>					
Balance at beginning of the period	33,435	4,913	-	959	39,307
Changes to the opening balance due to transfer between ECL stages:					-
Transferred to collective provision 12 months ECL	334	(334)	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	(188)	188	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to individual provision lifetime ECL credit impaired	-	(2,058)	-	2,058	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	(8,124)	773	-	6,783	(568)
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	48	-	-	1	49
<b>Total provision for expected credit losses</b>	<b>25,505</b>	<b>3,482</b>	<b>-</b>	<b>9,801</b>	<b>38,788</b>

<sup>1</sup> The 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 relate to loans and advances and credit related commitments and contingencies. Information is not presented in the table above in respect of other financial assets as the related provision for ECL is not material to the NZ Banking Group.



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

**Key judgements and estimates**

The table below summarises the key judgements and assumptions used in estimating the collectively assessed ECL, highlighting significant changes during the current half-year. These judgements and associated assumptions have been made within the context of current economic conditions, reflecting historical experience and other relevant factors, including reasonable expectations of future events.

- Domestically, monetary policy easing was commenced by the RBNZ in August 2024, with additional rate cuts signalled. Inflation is expected to return to the target range of 1% to 3%. However, soft GDP growth and a rising unemployment rate during the half-year suggest a slow recovery in the domestic economy.
- Internationally, some central banks have initiated a monetary policy easing cycle to stimulate economic recovery, which could support economic growth and restore global demand for New Zealand goods and services. However, the presence of geopolitical risks may have a greater impact on export-dependent countries like New Zealand.

Judgement/Assumption	Considerations for the year ended 30 June 2024
Determining when a significant increase in credit risk has occurred	<ul style="list-style-type: none"> <li>• There have been no changes to the approach for determining significant increase in credit risk in the current half-year.</li> </ul>
Forward-looking macroeconomic variables	<ul style="list-style-type: none"> <li>• There have been no changes to the approach of using macroeconomic variables to determine the forward-looking adjustment to probabilities of default (PDs). The latest forecasts were updated in April 2024.</li> <li>• The economic variables used by the NZ Banking Group include New Zealand's GDP growth rate, unemployment rate, and Consumer Price Index (CPI), based on forecasts from the International Monetary Fund (IMF). Additionally, the NZ Banking Group considers historical Official Cash Rate (OCR) volatility and regional non-performing loan ratios, drawing on historical data from the World Bank.</li> </ul>
Measuring ECL	<ul style="list-style-type: none"> <li>• Given the NZ Banking Group's relatively short operating history and limited credit event data, the NZ Banking Group utilised assigned Probability of Defaults (PDs) calibrated from the historical data of the Overseas Banking Group. These PDs were then used as the best estimate for base PD to develop a forward-looking PD matrix, incorporating New Zealand's forward-looking macroeconomic variables.</li> <li>• The forward-looking PDs were calculated using a multiple macroeconomic scenario approach, incorporating additional forward-looking macroeconomic variables.</li> <li>• Given the limited default history, the NZ Banking Group utilised the Loss Given Default (LGD) derived from Overseas Banking Group's default data. A local reasonableness assessment was conducted, and the LGD was adjusted as necessary to more reasonably reflect portfolio quality and the New Zealand economic environment.</li> <li>• There were no changes to the Exposure at Default (EAD) methodology.</li> </ul> <p><u>Residential mortgages:</u></p> <ul style="list-style-type: none"> <li>• The final provision for residential mortgages decreased by \$1.8 million during the period. This includes a \$2.84 million decrease in Stage 1 ECL and a \$1.04 million increase in Stage 2 ECL.</li> </ul> <p><u>Corporate:</u></p> <ul style="list-style-type: none"> <li>• Total corporate ECL increased by \$2.6 million, primarily driven by an individual customer downgrade and portfolio growth, which was offset by a recalibration of corporate LGD by the Overseas Banking Group.</li> <li>• An individual corporate customer, whose financial condition has significantly deteriorated since the last reporting date, has been downgraded from Stage 2 to Stage 3. This reclassification resulted in an overall ECL increase of \$6.78 million, including an \$8.84 million increase in Stage 3 ECL and a \$2.06 million decrease in Stage 2 ECL.</li> </ul>

**Significant judgement** The ECL model output has been reviewed, with a separate assessment conducted on customer serviceability, dynamic collateral value, unemployment rate, and the impact of climate risk across various scenarios. Additionally, a further evaluation was performed to ensure the reasonableness of the ECL model output.

Residential mortgages:

- With interest rates having reached their peak and expected to decline, the serviceability of residential customers is anticipated to strengthen over time. However, this improvement may be partially offset by a higher unemployment rate.
- A conservative approach has been adopted in managing credit risk, with strict restrictions Loan-to-valuation (LVR) and Debt-to-income (DTI) ratios.

Corporate exposures:

- The interest rate easing cycle is expected to lower borrowing costs and improve the interest cover ratios for corporate customers.
- The recalibration of corporate LGD is expected to more reasonably reflect potential losses in the event of default.
- The NZ Banking Group's corporate ECL also considers forecasts for GDP growth, unemployment, inflation for the next 12 months.

The NZ Banking Group has taken a reasonable and supportable approach on ECL and is comfortable with the level of ECLs that have been raised for residential mortgages and corporate exposures as at 30 June 2024.

**Base case macroeconomic variable forecast assumptions**

The key macroeconomic variables and their forecasts used in the base case at 30 June 2024 are set out below:

New Zealand	Unaudited 2024	Unaudited 2025	Unaudited 2026	Unaudited 2027	Unaudited 2028	Unaudited 2029
Unemployment Rate %	5.0	5.4	5.2	5.0	4.7	4.5
GDP Growth Rate %	1.0	2.0	2.4	2.4	2.4	2.4
CPI (index)	3.1	2.5	2.4	2.1	2.0	2.0

Compared to the previous reporting period, the current unemployment rate and its near-term projections have risen above earlier forecasts. Meanwhile, near-term GDP growth rates have slightly declined, although mid- to long-term projections have shown slight improvement. Inflation is expected to trend downward over time.

**Probability weightings**

The probability weightings for each macroeconomic scenario are derived from the global GDP growth rate, based on the assumption that New Zealand's economic environment is closely correlated with the global economy.

Given the significant economic uncertainties, the NZ Banking Group has adopted a weighted approach, assigning a 30% probability to the base case scenario, 25% to both the upside and downside scenarios, and 20% to the severe downside scenario. The following table summarises the weightings applied by the NZ Banking Group to each scenario in determining the provision ECL.

As at	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Base case	30%	30%	30%
Upside	25%	25%	25%
Downside	25%	25%	25%
Severe downside	20%	20%	20%

The global GDP growth rate serves as the core benchmark, with deviations from the baseline forecast applied under each scenario. A linear interpolation method is then used to derive the weighting for each scenario.

For the upside, downside, and severe downside scenarios, adjustments of +0.5, -0.5, and -1 standard deviations, respectively, have been applied to the base case forecast. These adjustments are based on historical global GDP growth rate distributions sourced from the IMF. Macroeconomic forecasts for non-baseline scenarios are then constructed, and the weighting for each scenario is determined by proportioning the score of each scenario, with professional judgement applied.

## Sensitivity analysis

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

As at 30 June 2024 \$000	100% weighting	Difference to the reported probability-weighted ECL
Base case	37,398	(1,390)
Upside	32,659	(6,129)
Downside	41,707	2,919
Severe downside	44,885	6,097
<b>Reported probability weighted ECL</b>	<b>38,788</b>	<b>-</b>

## Movements in provision for ECL

### Movement of collective provision

For the six months ended 30 June 2024, a net decrease of \$9.36 million in the total collective provision was recorded by the NZ Banking Group, as detailed below:

- The collective provision for 12-months ECL (Stage 1) decrease by \$7.93 million during the period:
  - a net decrease of \$2.84 million from residential mortgages, primarily due to the combined effect of current economic conditions, updated forward-looking macroeconomic variables, updated long-run PDs from the Overseas Banking Group, the implementation of an enhanced modelled multiple macroeconomic scenario approach.
  - a net decrease of \$3.93 million was predominantly driven by the recalibration of corporate LGD by the Overseas Banking Group, partially offset by the net growth of corporate loans and advances.
  - a net decrease of \$1.16 million in off-balance sheet credit related commitments and contingencies primary due to a decrease of the commitments.
- The collective provision for lifetime ECL not credit impaired (Stage 2) decreased by \$1.43 million, primarily due to a customer being downgraded to Stage 3.

### Movement of individually assessed provision

- The Individually assessed provision for lifetime ECL credit impaired (Stage 3) increased by \$8.84 million, primarily due to additional provisions arising from new non-performing loans.

As of 30 June 2024, the impaired loans in this category have a carrying value of \$20.62 million (31 December 2023: \$2.95 million), gross of provision for expected credit losses. These loans were impaired based on objective evidence indicating that the recoverable amount is less than the carrying value. The individually assessed provision on these loans reflects the NZ Banking Group's best estimate of the expected credit loss as of 30 June 2024.

## 8 CUSTOMER DEPOSITS

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Term deposits	705,746	719,965	591,291
Savings/demand deposits	343,869	290,047	279,968
Margin deposits	14,812	10,703	12,935
<b>Total customer deposits</b>	<b>1,064,427</b>	<b>1,020,715</b>	<b>884,194</b>

## 9 PAYABLES DUE TO CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Due to other financial institutions	1,525,251	1,153,710	1,381,898
Due to related entities	3,476,090	3,726,906	3,983,097
Securities sold under agreements to repurchase from central banks <sup>1</sup>	93,000	93,000	168,000
<b>Total payables due to central banks and other financial institutions</b>	<b>5,094,341</b>	<b>4,973,616</b>	<b>5,532,995</b>

<sup>1</sup> Included in securities sold under agreements to repurchase from central banks was \$93 million (31 December 2023: \$93 million) relating to the Funding for Lending Programme.

## 10 DEBT SECURITIES ON ISSUE

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Certificates of deposit	-	73,787	83,803
Medium-term notes	199,861	149,699	199,843
<b>Total debt securities issued</b>	<b>199,861</b>	<b>223,486</b>	<b>283,646</b>
<b>Movement in debt securities issued</b>			
Balance at beginning of the period	283,646	169,883	169,883
Issuance during the period	39,349	243,013	420,171
Repayments during the period	(125,000)	(190,000)	(310,000)
Other movements	1,866	590	3,592
<b>Balance at end of the period</b>	<b>199,861</b>	<b>223,486</b>	<b>283,646</b>

### Debt securities issued by currency

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
New Zealand Dollar	199,861	223,486	283,646
<b>Total debt securities issued by currency</b>	<b>199,861</b>	<b>223,486</b>	<b>283,646</b>

## 11 COMMITMENTS AND CONTINGENCIES

As at \$000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
<b>Credit related commitments and contingencies</b>			
Commitments to extend credit	832,348	1,279,387	986,147
Letters of credit and guarantees	25,536	23,412	25,759
<b>Total credit related commitments and contingencies</b>	<b>857,884</b>	<b>1,302,799</b>	<b>1,011,906</b>

### Significant leasing arrangements

The NZ Banking Group has entered into a lease agreement for new office space, carparks, and signage rights of the building located in Auckland CBD. The key terms of the lease agreement are as follows:

- Lease Term: 9 years, with two optional renewal periods of 3 years each. It is uncertain whether the NZ Banking Group will exercise these renewals at the time the agreement was signed.
- Lease Payments: The total undiscounted future minimum lease payments under this agreement are expected to be \$13 million.
- Conditions for Commencement: The lease commencement is contingent upon meeting specific conditions outlined in the lease agreement.

As of 30 June 2024, the NZ Banking Group has not recognised any lease liabilities or right-of-use assets related to this lease agreement as the conditions for commencement have not yet been met. The NZ Banking Group will recognise the lease liability and corresponding right-of-use asset on the Statement of Financial Position upon the commencement of the lease, in accordance with NZ IFRS 16.

## 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 2024 (Unaudited) \$000	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial assets	-	8,756	-	8,756
FVTOCI securities	258,085	30,356	-	288,441
<b>Total financial assets carried at fair value</b>	<b>258,085</b>	<b>39,112</b>	-	<b>297,197</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	11,204	-	11,204
<b>Total financial liabilities carried at fair value</b>	-	<b>11,204</b>	-	<b>11,204</b>

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

As at 31 December 2023 (Audited) \$000	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial assets	-	11,937	-	11,937
FVTOCI securities	263,161	30,366	-	293,527
<b>Total financial assets carried at fair value</b>	<b>263,161</b>	<b>42,303</b>	-	<b>305,464</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	11,936	-	11,936
<b>Total financial liabilities carried at fair value</b>	-	<b>11,936</b>	-	<b>11,936</b>

### 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	Unaudited 30/06/24		Unaudited 30/06/23		Audited 31/12/23	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>\$000</b>						
<b>Financial Assets</b>						
Loans and advances	5,774,870	5,769,380	4,996,881	4,975,918	5,634,465	5,618,826
<b>Total</b>	<b>5,774,870</b>	<b>5,769,380</b>	<b>4,996,881</b>	<b>4,975,918</b>	<b>5,634,465</b>	<b>5,618,826</b>
<b>Financial liabilities</b>						
Customer deposits	1,064,427	1,064,267	1,020,715	1,019,982	884,194	884,644
Payables due to central banks and other financial institutions	5,094,341	5,089,178	4,973,616	4,949,731	5,532,995	5,527,454
Debt securities on issue	199,861	199,740	223,486	223,486	283,646	282,664
<b>Total</b>	<b>6,358,629</b>	<b>6,353,185</b>	<b>6,217,817</b>	<b>6,193,199</b>	<b>6,700,835</b>	<b>6,694,762</b>

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 carrying amount is a reasonable approximation of fair value 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 payable, 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 6 months 30/06/24		Unaudited 6 months 30/06/23		Audited Year ended 31/12/23	
	Overseas Bank	Other related parties	Overseas Bank	Other related parties	Overseas Bank	Other related parties
<b>\$000</b>						
Interest income	190	20	103	11	283	17
Interest expense	(110,551)	-	(87,602)	-	(191,811)	-
Other operating income						
Other fees and commissions	-	12	-	9	118	21
Net gains on financial instruments mandatorily measured at FVTPL	(7,509)	-	4,371	-	(3,492)	-
Operating expenses	(169)	-	(1,294)	-	(1,065)	-

There were no debts with any related parties written off or forgiven during the six months ended 30 June 2024 (year ended 31 December 2023: \$nil and six months ended 30 June 2023: \$nil).

### Balances with related parties

As at	Unaudited 30/06/24		Unaudited 30/06/23		Audited 31/12/23	
	Overseas Bank	Other related parties	Overseas Bank	Other related parties	Overseas Bank	Other related parties
<b>\$000</b>						
Cash and liquid assets	34,255	15,336	131,537	11,670	19,487	3,168
Receivables due from other financial institutions	5,000	-	-	-	-	-
Loans and advances	-	-	15,800	-	-	-
Derivative assets	7,492	-	15,308	-	5,348	-
Other assets	3	-	-	-	-	-
<b>Total related party assets</b>	<b>46,750</b>	<b>15,336</b>	<b>162,645</b>	<b>11,670</b>	<b>24,835</b>	<b>3,168</b>
Payables due to central banks and other financial institutions	3,473,361	2,728	3,724,442	2,464	3,979,667	3,430
Derivative liabilities	5,247	-	51	-	5,281	-
Other liabilities	83,960	-	58,713	-	78,039	-
<b>Total related party liabilities</b>	<b>3,562,568</b>	<b>2,728</b>	<b>3,783,206</b>	<b>2,464</b>	<b>4,062,987</b>	<b>3,430</b>

Provisions for impairment losses of \$137,000 were recognised in respect of related party assets as at 30 June 2024 (31 December 2023: \$nil and 30 June 2023: \$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.

### Interest rate derivatives

As at	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
<b>\$000</b>			
Notional principal	811,521	424,187	686,884
Fair value assets	5,957	12,045	5,345
Fair value liabilities	1,263	26	5,275

### Exchange rate derivatives

As at	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
<b>\$000</b>			
Notional principal	453,398	150,820	6,969
Fair value assets	1,535	3,264	3
Fair value liabilities	3,983	25	6

## 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 2024 (Unaudited) \$000	On-balance sheet financial assets	Off-balance sheet credit related commitments
<b>Industry sector</b>		
Agriculture	22,998	8,288
Forestry and Fishing	84,297	22,962
Mining	104,832	29,000
Manufacturing	360,188	86,367
Electricity, gas, water and waste services	513,653	193,200
Construction	495,935	23,123
Wholesale trade	35,247	116
Retail trade	191,101	18,020
Accommodation and food services	30,105	58
Transport, postal and warehousing	160,822	115,628
Information media and telecommunications	174,736	107,650
Financial and insurance services	1,016,995	22,490
Rental, hiring and real estate services	1,064,665	34,344
Professional, scientific and technical services	-	-
Administrative and support services	-	-
Public administration and safety	10,959	45,000
Education and training	-	-
Health care and social assistance	452,606	129,732
Arts and recreation services	-	-
Personal lending	2,134,019	21,872
Other services	11,373	34
<b>Subtotal</b>	<b>6,864,531</b>	<b>857,884</b>
Provision for expected credit losses <sup>1</sup>	(37,421)	(1,561)
Unearned income	(9,571)	-
Capitalised brokerage and other origination costs	16,694	-
<b>Total credit exposures</b>	<b>6,834,233</b>	<b>856,323</b>
<b>Geographic area</b>		
New Zealand	6,554,796	835,393
Overseas	309,735	22,491
<b>Subtotal</b>	<b>6,864,531</b>	<b>857,884</b>
Provision for expected credit losses <sup>1</sup>	(37,421)	(1,561)
Unearned income	(9,571)	-
Capitalised brokerage and other origination costs	16,694	-
<b>Total credit exposures</b>	<b>6,834,233</b>	<b>856,323</b>

<sup>1</sup>The provision for expected credit losses in this table relates to loans and advances (refer to Note 6), cash and liquid assets (refer to Note 4) 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 30/06/24
<b>Funding comprises</b>	
Customer deposits	1,064,427
Payables due to central banks and other financial institutions	5,094,341
Debt securities on issue	199,861
<b>Total funding</b>	<b>6,358,629</b>
<b>Concentration of funding by industry sector</b>	
Agriculture, forestry and fishing	2,212
Mining	5
Manufacturing	18,646
Electricity, gas, water and waste services	25,109
Construction	44,710
Wholesale trade	59,082
Retail trade	871
Accommodation and food services	72,989
Transport, postal and warehousing	122,079
Information media and telecommunication	20,846
Financial and insurance services	5,294,208
Rental, hiring and real estate services	146,070
Professional, scientific and technical services	16,658
Administrative and support services	7,515
Public administration and safety	85,638
Education and training	75,945
Health care and social assistance	7
Arts and recreation services	-
Households	328,158
Other services	37,881
<b>Total funding</b>	<b>6,358,629</b>
<b>Concentration of funding by geographical location</b>	
New Zealand	2,359,181
Other countries	3,999,448
<b>Total funding</b>	<b>6,358,629</b>

## 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 2023.

## 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.

### 17.1 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 2024 is as follows:

As at 30 June 2024 (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
<b>Financial assets</b>							
Cash and liquid assets	643,465	-	-	-	-	-	643,465
Receivables due from other financial institutions	84,992	-	-	-	-	-	84,992
Derivative assets	-	-	-	-	-	8,756	8,756
FVTOCI securities	30,356	-	153,739	104,346	-	-	288,441
Loans and advances	3,661,391	1,069,968	700,965	305,217	67,433	(30,104)	5,774,870
Other financial assets	-	-	-	-	-	33,859	33,859
<b>Total financial assets</b>	<b>4,420,204</b>	<b>1,069,968</b>	<b>854,704</b>	<b>409,563</b>	<b>67,433</b>	<b>12,511</b>	<b>6,834,383</b>
Non-financial assets							15,598
<b>Total assets</b>							<b>6,849,981</b>
<b>Financial liabilities</b>							
Customer deposits	681,581	168,623	157,355	26,565	15,806	14,497	1,064,427
Payables due to central banks and other financial institutions	3,840,511	541,849	312,556	284,025	115,400	-	5,094,341
Derivative liabilities	-	-	-	-	-	11,204	11,204
Debt securities on issue	199,861	-	-	-	-	-	199,861
Other financial liabilities	-	-	-	-	-	119,165	119,165
<b>Total financial liabilities</b>	<b>4,721,953</b>	<b>710,472</b>	<b>469,911</b>	<b>310,590</b>	<b>131,206</b>	<b>144,866</b>	<b>6,488,998</b>
Non-financial liabilities							15,104
<b>Total liabilities</b>							<b>6,504,102</b>
<b>Net gap</b>	<b>(301,749)</b>	<b>359,496</b>	<b>384,793</b>	<b>98,973</b>	<b>(63,773)</b>	<b>(132,355)</b>	<b>345,385</b>

## 17.2 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.

## 17.3 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	Unaudited
\$000	30/06/24
Cash and liquid assets	643,465
Receivables due from other financial institutions	84,992
Government securities	258,085
Other debt securities	30,356
<b>Total liquidity portfolio</b>	<b>1,016,898</b>

## 17.4 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 Statement of Financial Position.

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 2024 (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
<b>Non-derivative financial liabilities</b>							
Customer deposits	347,130	350,951	172,299	163,982	28,657	18,575	1,081,594
Payables due to central banks and other financial institutions	732,590	2,173,673	930,990	869,695	314,021	217,551	5,238,520
Debt securities on issue	-	3,423	3,423	6,734	213,580	-	227,160
Lease liabilities	-	243	28	54	40	-	365
Other financial liabilities	-	38,971	18,268	33,093	25,005	3,828	119,165
<b>Total non-derivative financial liabilities</b>	<b>1,079,720</b>	<b>2,567,261</b>	<b>1,125,008</b>	<b>1,073,558</b>	<b>581,303</b>	<b>239,954</b>	<b>6,666,804</b>
<b>Derivative financial liabilities</b>							
Net settled	-	789	99	200	398	(4)	1,482
Gross settled – cash inflow	-	240,103	-	-	-	-	240,103
Gross settled – cash outflow	-	(244,017)	-	-	-	-	(244,017)
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>(3,125)</b>	<b>99</b>	<b>200</b>	<b>398</b>	<b>(4)</b>	<b>(2,432)</b>
<b>Off-balance sheet credit related commitments and contingencies</b>							
Commitments to extend credit	832,348	-	-	-	-	-	832,348
Letters of credit and guarantees	25,536	-	-	-	-	-	25,536
<b>Total off-balance sheet credit related commitments and contingencies</b>	<b>857,884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>857,884</b>

## 18 CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY

### 18.1 Additional mortgage information

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

As at 30 June 2024 (Unaudited) \$000	Does not exceed 80%	Exceeds 80% and not 90%	Exceed 90%	Total
<b>Loan-to-valuation ratio</b>				
On-balance sheet exposures	2,137,829	1,936	-	2,139,765
Undrawn commitments and other off-balance sheet exposures	21,828	-	-	21,828
<b>Value of exposures</b>	<b>2,159,657</b>	<b>1,936</b>	<b>-</b>	<b>2,161,593</b>

The information in the above table relates to the NZ Banking Group and is in respect of the total residential mortgage loans and has been derived in accordance with the definition of loan-to-valuation ratio specified in BPR131: Standardised Credit Risk RWAs. 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 30/06/24
<b>Residential mortgages - total gross loans and advances (as disclosed in Notes 6 and 7)</b>	2,126,693
Add: Interest receivable	7,327
Add: Capitalised brokerage and other origination costs	16,694
Less: Provision for expected credit losses (loans and advances)	(10,949)
<b>Total of Residential Mortgages amounts disclosed in table for On-balance sheet exposures</b>	<b>2,139,765</b>
Add: Undrawn commitments and other off-balance sheet exposures	21,872
Less: Provision for expected credit losses (off-balance sheet credit related commitments and contingencies)	(44)
<b>Total Residential mortgages exposures disclosed in residential mortgages by loan-to-valuation ratio table</b>	<b>2,161,593</b>

### 18.2 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 2024 (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	63,021	5,042	85,237	6,819
Foreign currency risk	613	49	1,907	153
Equity risk	-	-	-	-
<b>Total</b>	<b>63,634</b>	<b>5,091</b>	<b>87,144</b>	<b>6,972</b>

### 18.3 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), which have been replaced by the Rules on Capital Management of Commercial Banks issued by the NAFR effective 1 January 2024, 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. The Overseas Banking Group is 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 by the NAFR as of 31 March 2024 and 31 December 2023 respectively, the latest reporting dates.

The capital ratios below have been calculated in accordance with Capital Rules for Commercial Banks (Provisional), which have been replaced by the Rules on Capital Management of Commercial Banks issued by the NAFR, effective 1 January 2024.

As at	Unaudited 31/03/24	Unaudited 31/12/23	Unaudited 31/03/23
<b>Overseas Banking Group</b>			
Common equity tier 1 capital ratio	12.02%	11.63%	11.63%
Tier 1 capital ratio	14.00%	13.83%	13.79%
Total capital ratio	18.52%	17.74%	17.53%

As at	Unaudited 31/12/23	Unaudited 30/09/23	Unaudited 31/03/23
<b>Overseas Bank</b>			
Common equity tier 1 capital ratio	10.96%	10.75%	11.19%
Tier 1 capital ratio	13.38%	13.20%	13.59%
Total capital ratio	17.72%	17.23%	17.76%

## 19 OTHER INFORMATION OF THE OVERSEAS BANKING GROUP

As at	Audited 31/03/24
<b>Profitability</b>	
Net profit after tax for the 3 month period ended 31 March 2024 (RMB millions)	59,973
Net profit after tax for the 12 month period ended 31 December 2023 as a percentage of average total assets	0.80%
<b>Size</b>	
Total assets (RMB millions)	33,659,046
Percentage change in total assets over the 12 months ending 31 March 2024	10.77%

As at	Audited 31/12/23
<b>Asset quality</b>	
Total individually impaired assets (RMB millions)	253,205
Total individually impaired assets as a percentage of total assets	0.78%
Total individual credit impairment allowance (RMB millions)	179,862
Total individually assessed provisions as a percentage of total gross individually impaired assets	71.03%
Total collective credit impairment allowance (RMB millions)	305,046
Total assets (RMB millions)	32,432,166

Note: The amounts included in this note have been taken from the most recent publicly available information.

## 20 EVENTS SUBSEQUENT TO THE REPORTING DATE

The NZ Banking Group has entered into a lease agreement for office space, carpark and signage. The lease commenced on 9 August 2024, which was after the reporting date but before the date of approval of this disclosure statement on 22 August 2024. The key terms and future payment obligations have been included in note 11 on page 18. There have been no adjustments made to the financial statements for this non-adjusting event. The disclosure is made to provide additional information to users of this disclosure statement.

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 2024 of the 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 2024, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and selected 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 the 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 compliance assurance services over capital adequacy and regulatory liquidity requirements and generic training over sustainability reporting for the NZ Banking Group. 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 these 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 the Supplementary Information**

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

- 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:
  - o does not present fairly, in all material respects, the matters to which it relates; or
  - o is not disclosed, in all material respects, in accordance with those schedules; or
  - o 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, 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 the 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:

Chartered Accountants  
29 August 2024

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 banking 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 2024 (the Disclosure Statement). The Disclosure Statement containing the information prescribed in Schedule 9 of the Order relating to credit and market risk exposures and capital adequacy will accompany our report, for the purpose of reporting to Directors.

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 note 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. In addition to our role as auditor and providers of related assurance services, our firm carries out generic training over sustainability reporting for the NZ Banking Group. 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 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 condensed 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
29 August 2024

Auckland, New Zealand