

China Construction Bank Corporation New Zealand Banking Group

Disclosure Statement

For the six months ended 30 June 2024



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Abbreviations

The following abbreviations are used throughout the report:

| | |
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| ALCO Asset and Liability Committee | IRB Internal rating based |
| ANZSIC Australia and New Zealand Standard Industrial Classifications | IRRBB Interest rate risk in the banking book |
| BARC Board Audit, Risk and Compliance Committee | ISDA International Swaps and Derivatives Association |
| BPR Banking Prudential Requirements | LGD Loss given default |
| CBIRC China Banking and Insurance Regulatory Commission | LVR Loan-to-valuation ratio |
| CBRC China Banking Regulatory Commission | NAFR National Administration of Financial Regulation |
| CCCFA Credit Contracts and Consumer Finance Act 2003 | NII Net interest income |
| CET1 Common Equity Tier 1 | NZ GAAP New Zealand Generally Accepted Accounting Principles |
| CFP Contingency funding plan | NZ IFRS New Zealand equivalent to International Financial Reporting Standards |
| EAD Exposure at default | PD Probability of default |
| ECL Expected credit losses | POCI Purchased and originated credit impaired |
| EWI Early warning indicator | RBNZ Reserve Bank of New Zealand |
| FVOCI Fair value through other comprehensive income | RCD Registered Certificate of Deposit |
| FVTPL Fair value through profit or loss | RMB Chinese Yuan Renminbi |
| IAS International Accounting Standards | RWA Risk weighted assets |
| ICAAP Internal capital adequacy assessment process | SICR Significant increase in credit risk |

Disclosure Statement

For the six months ended 30 June 2024

General information and definitions

Certain information contained in this full year Disclosure Statement for the six months ended 30 June 2024, is as required by section 81 of the Banking (Prudential Supervision) Act 1989 and is in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement:

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

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

Corporate information

Registered Bank

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

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

Address for service - branch:

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

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

A copy of the Overseas Banking Group's most recently published financial statements is available for download, free of charge, on the Overseas Bank's website (http://en.ccb.com/eng/investor/performance/reports/annual_reports/index.shtml).

The NZ Banking Group's Climate Report for the year ending 31 December 2023 can also be accessed on the NZ Banking Group's website via the link provided below.

[Climate Report](#)

Subordination of claims of creditors

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

Requirement to hold excess assets over deposit liabilities

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

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

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

Limits on material financial support by the Ultimate Parent Bank

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

Changes in the Overseas Bank's Board of Directors

The following changes to the composition of the Board have occurred since the Overseas Bank's previous full year Disclosure Statement for the year ended 31 December 2023:

- Mr. Kenneth Patrick Chung ceased to serve as an Independent Non-executive Director of the Board in June 2024.
- Mr. Yi Zhang was appointed as Vice Chairman and an Executive Director of the Board in June 2024.
- Ms. Min Shao ceased to serve as Non-executive Director of the Board in August 2024.

As at the date of signing this Disclosure Statement, there have been no other changes in the Board since 31 December 2023.

New Zealand Chief Executive Officer of the branch

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

Guarantee arrangements

There have been no changes to the Deed of Guarantee (the "Guarantee") since the publication of the NZ Banking Group's full year Disclosure Statement for the year ended 31 December 2023.

Under the Guarantee:

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

Pending proceedings or arbitration

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

Auditor

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

Directors' and New Zealand Chief Executive Officer's Statements

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

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

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that, for the six months ended 30 June 2024:

- (a) the Registered Bank has complied in all material respects with each condition of registration that applied during that period; and
- (b) the branch and CCBNZL had systems in place to monitor and control adequately the material risks of the NZ Banking Group including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

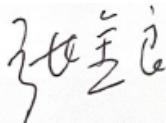
Signed by the New Zealand Chief Executive Officer of China Construction Bank Corporation New Zealand Branch



Mr. Jun Qi

Dated: 26 August 2024

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



CHAIRMAN & EXECUTIVE DIRECTOR - Mr. Jinliang Zhang

Dated: 26 August 2024

Statement of comprehensive income

| | | Unaudited 30 Jun 2024 6 months | Unaudited 30 Jun 2023 6 months | Audited 31 Dec 2023 12 months |
|---|------|--------------------------------------|--------------------------------------|-------------------------------------|
| <u>For the period ended</u> | Note | | | |
| Interest income | 2 | 166,460 | 127,796 | 277,787 |
| Interest expense | 2 | (123,544) | (84,866) | (190,901) |
| Other interest income / (expense) | | - | - | 77 |
| Net interest income | 2 | 42,916 | 42,930 | 86,963 |
| Net fees and commission income | 3 | 3,769 | 4,242 | 10,588 |
| Other income / (expense) | 3 | 1,196 | (5,670) | (15,586) |
| Net operating income before operating expenses and impairment charges | | 47,881 | 41,502 | 81,965 |
| Operating expenses | | (11,246) | (10,240) | (20,448) |
| Impairment (charges) / write-backs on credit exposures | 4 | 2,971 | 2,627 | 4,495 |
| Profit before income tax | | 39,606 | 33,889 | 66,012 |
| Income tax expense | | (11,183) | (9,489) | (18,082) |
| Profit after income tax attributable to the owner of the NZ Banking Group | | 28,423 | 24,400 | 47,930 |
| Other comprehensive income, net of tax | | | | |
| Other comprehensive income / (expense) which may be reclassified to profit or loss | | | | |
| Net change in cash flow hedge reserve | | 189 | (2,321) | (1,337) |
| Net change in FVOCI reserve | | 65 | 87 | 286 |
| Total other comprehensive income / (expense), net of tax | | 254 | (2,234) | (1,051) |
| Total comprehensive income attributable to the owner of the NZ Banking Group | | 28,677 | 22,166 | 46,879 |

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

Statement of changes in equity

| | NZ Banking Group | | | | | | | | |
|---|------------------|-------------------|-------------------------|---------------|---------------|-------------------|-------------------------|---------------|---------|
| | NZ Branch | | | | CCBNZL | | | | |
| For the six months ended 30 June 2024 (Unaudited) | Share capital | Retained earnings | Cash flow hedge reserve | FVOCI reserve | Share capital | Retained earnings | Cash flow hedge reserve | FVOCI reserve | Total |
| Balance at 1 January 2024 | - | 60,752 | (1,829) | - | 199,178 | 117,023 | (3,728) | 134 | 371,530 |
| Profit after income tax | - | 15,101 | - | - | - | 13,323 | - | - | 28,424 |
| Other comprehensive income / (expense) | - | - | 367 | - | - | - | (178) | 65 | 254 |
| Total comprehensive income / (expense) for the period | - | 15,101 | 367 | - | - | 13,323 | (178) | 65 | 28,678 |
| Balance at 30 June 2024 | - | 75,853 | (1,462) | - | 199,178 | 130,346 | (3,906) | 199 | 400,208 |

| For the six months ended 30 June 2023 (Unaudited) | | | | | | | | | |
|---|---|--------|---------|---|---------|---------|---------|-------|---------|
| Balance at 1 January 2023 | - | 39,505 | (2,447) | - | 199,178 | 90,340 | (1,773) | (152) | 324,651 |
| Profit after income tax | - | 11,487 | - | - | - | 12,913 | - | - | 24,400 |
| Other comprehensive income | - | - | (60) | - | - | - | (2,261) | 87 | (2,234) |
| Total comprehensive income / (expense) for the period | - | 11,487 | (60) | - | - | 12,913 | (2,261) | 87 | 22,166 |
| Balance at 30 June 2023 | - | 50,992 | (2,507) | - | 199,178 | 103,253 | (4,034) | (65) | 346,817 |

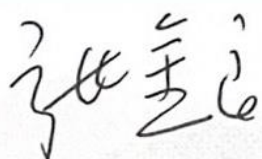
| For the year ended 31 December 2023 (Audited) | | | | | | | | | |
|---|---|--------|---------|---|---------|---------|---------|-------|---------|
| Balance at 1 January 2023 | - | 39,505 | (2,447) | - | 199,178 | 90,340 | (1,773) | (152) | 324,651 |
| Profit after income tax | - | 21,247 | - | - | - | 26,683 | - | - | 47,930 |
| Other comprehensive expense | - | - | 618 | - | - | - | (1,955) | 286 | (1,051) |
| Total comprehensive income / (expense) for the year | - | 21,247 | 618 | - | - | 26,683 | (1,955) | 286 | 46,879 |
| Balance at 31 December 2023 | - | 60,752 | (1,829) | - | 199,178 | 117,023 | (3,728) | 134 | 371,530 |

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

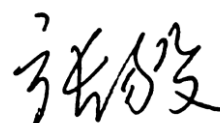
Balance sheet

| <u>As at</u> | | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|---|----|--------------------------|--------------------------|------------------------|
| Assets | | | | |
| Cash and balances with central banks | 6 | 609,798 | 542,247 | 372,436 |
| Due from other financial institutions | 7 | 255,888 | 116,339 | 128,439 |
| Investment securities | 8 | 227,963 | 323,777 | 338,889 |
| Loans and advances | 9 | 3,876,041 | 3,175,474 | 3,661,028 |
| Due from related parties | 16 | 358 | 164,817 | 967 |
| Derivative financial assets | | 33,549 | 50,275 | 21,915 |
| Property, plant and equipment | 10 | 3,575 | 4,449 | 4,058 |
| Intangible assets | | 76 | 6 | 30 |
| Deferred tax assets | | 3,895 | 8,510 | 4,706 |
| Other assets | | 408 | 206 | 382 |
| Total assets | | 5,011,551 | 4,386,100 | 4,532,850 |
| Liabilities | | | | |
| Due to other financial institutions | 11 | 1,872,661 | 873,218 | 1,249,195 |
| Deposits from customers | 12 | 457,976 | 406,767 | 509,320 |
| Debt securities issued | 13 | 860,165 | 829,680 | 872,408 |
| Due to related parties | 16 | 1,391,372 | 1,872,441 | 1,449,368 |
| Current tax liabilities | | 1,516 | 3,567 | 5,908 |
| Derivative financial liabilities | | 18,427 | 40,681 | 62,976 |
| Other liabilities | 14 | 9,226 | 12,929 | 12,145 |
| Total liabilities | | 4,611,343 | 4,039,283 | 4,161,320 |
| Head Office account | | | | |
| Retained earnings | | 75,853 | 50,992 | 60,752 |
| Reserves | | (1,462) | (2,507) | (1,829) |
| Total Head Office account | | 74,391 | 48,485 | 58,923 |
| Equity | | | | |
| Share capital | | 199,178 | 199,178 | 199,178 |
| Retained earnings | | 130,346 | 103,253 | 117,023 |
| Reserves | | (3,707) | (4,099) | (3,594) |
| Total equity | | 325,817 | 298,332 | 312,607 |
| Total equity attributable to the owner of the NZ Banking Group | | 400,208 | 346,817 | 371,530 |
| Total liabilities and equity | | 5,011,551 | 4,386,100 | 4,532,850 |
| Total interest earning and discount bearing assets | | 4,968,794 | 4,327,220 | 4,501,207 |
| Total interest and discount bearing liabilities | | 4,559,642 | 4,011,898 | 4,058,690 |

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



CHAIRMAN & EXECUTIVE DIRECTOR - Mr. Jinliang Zhang
Dated: 26 August 2024



VICE CHAIRMAN & EXECUTIVE DIRECTOR - Mr. Yi Zhang
Dated: 26 August 2024

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

Statement of cash flows

| | | Unaudited 30 Jun 2024 6 months | Unaudited 30 Jun 2023 6 months | Audited 31 Dec 2023 12 months |
|--|---------------|---|---|--|
| <u>For the period ended</u> | Note | | | |
| Cash flows from operating activities | | | | |
| Interest received | | 154,718 | 118,757 | 254,916 |
| Interest paid | | (123,515) | (86,575) | (203,245) |
| Income received from financial instruments designated as FVOCI | | 9,733 | 5,140 | 11,695 |
| Non-interest income received | | 4,210 | 4,465 | 10,273 |
| Non-interest expense paid | | (61,409) | (55,628) | 29,776 |
| Operating expenses paid | | (10,082) | (8,444) | (18,900) |
| Income taxes paid | | (14,837) | (14,919) | (17,750) |
| Net cash flows from operating activities before changes in operating assets and liabilities | | (41,182) | (37,204) | 66,765 |
| Net changes in operating assets and liabilities: | | | | |
| Net change in GST receivable | | 10 | (51) | (49) |
| Net change in other assets | | (36) | 51 | (127) |
| Net change in loans and advances | | (212,389) | 82,213 | (395,551) |
| Net change in due from related parties | | 3 | (164,228) | (14) |
| Net change in due to other financial institutions | | 623,465 | (570,361) | (194,384) |
| Net change in deposits from customers | | (50,254) | (56,097) | 44,385 |
| Net changes in operating assets and liabilities | | 360,799 | (708,473) | (545,740) |
| Net cash flows provided by / (used in) operating activities ¹ | 5 | 319,617 | (745,677) | (478,975) |
| Cash flows from investing activities | | | | |
| Purchase of investment securities | | 110,865 | (138,521) | (149,918) |
| Purchase of property, plant and equipment | | (65) | (5) | (88) |
| Purchase of intangible assets | | (50) | - | (25) |
| Net cash flows used in investing activities | | 110,750 | (138,526) | (150,031) |
| Cash flows from financing activities | | | | |
| Amount borrowed from related parties | | 46,060 | 362,612 | 2,590 |
| Repayment of due to related parties | | (98,848) | (51,737) | (143,745) |
| Issuance of debt securities | 13 | 197,141 | 245,000 | 455,000 |
| Repayment of debt securities | 13 | (210,000) | (175,000) | (345,000) |
| Repayment of subordinated debt | | - | (15,000) | (15,000) |
| Repayment of principal portion of lease liabilities | | (515) | (483) | (997) |
| Net cash flows provided by / (used in) financing activities | | (66,162) | 365,392 | (47,152) |
| Net (decrease) / increase in cash and cash equivalents | | 364,205 | (518,811) | (676,158) |
| Cash and cash equivalents at beginning of the year | | 501,828 | 1,177,986 | 1,177,986 |
| Cash and cash equivalents at end of the period | 20 (a) | 866,033 | 659,175 | 501,828 |
| Cash and cash equivalents at end of the period comprise: | | | | |
| Cash and balances with central banks | 20 (a) | 609,798 | 542,247 | 372,436 |
| Due from other financial institutions (call or original maturity of 3 months or less) | 20 (a) | 255,888 | 116,339 | 128,439 |
| Due from related parties (nostro account) | 20 (a) | 347 | 589 | 953 |
| Cash and cash equivalents at end of the period | | 866,033 | 659,175 | 501,828 |

¹ For the period ended 30 June 2024, the presentation of net cash flows from operating activities has been revised back to the Direct method from the Indirect method to align with industry standards in New Zealand, and provide stakeholders with increased clarity. The reconciliation of profit after income tax to net cash flows from operating activities is summarised in Note 5.

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

Notes to the Interim Financial Statements

1. Statement of accounting policies

1.1 Reporting entity

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

These condensed interim financial statements were approved for issue by the Board of the Overseas Bank on 26 August 2024.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the NZ Banking Group's financial statements for the full year ended 31 December 2023.

1.2 Basis of preparation

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

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

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

1.3 Basis of aggregation

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

1.4 Presentation currency and rounding

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

1.5 Comparative data

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

1.6 Changes in accounting policies

The accounting policies and methods of computation are consistent with those of the NZ Banking Group's financial statements for the full year ended 31 December 2023 and six months ended 30 June 2023. There have been no material changes to the accounting policies during the six months ended 30 June 2024 apart from the presentation of the cash flow statement as detailed below.

1.7 Presentation of the cash flow statement

During the six months ended 30 June 2024, the NZ Banking Group changed the presentation of its net cash flow from operating activities back to the Direct method. Previously, the interim cash flow statement was presented using the Indirect method to align with the presentation used by the Ultimate Parent Bank. The change in presentation enhances the ability of users to understand how the NZ Banking Group generates and uses cash and cash equivalents from operating activities during the reporting periods. The reconciliation of profit after income tax to net cash flows from operating activities is summarised in Note 5.

Financial Performance

2. Net interest income

| | Unaudited Jun 2024 6 months | Unaudited Jun 2023 6 months | Audited Dec 2023 12 months |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| Interest income | | | |
| ¹ Cash and balances with central banks | 7,476 | 10,587 | 19,829 |
| ¹ Due from other financial institutions | 776 | 3,773 | 5,518 |
| ¹ Loans and advances | 148,675 | 106,188 | 234,894 |
| ¹ Due from related parties | 1 | 71 | 335 |
| ² Investment securities | 9,532 | 7,177 | 17,211 |
| Total interest income | 166,460 | 127,796 | 277,787 |
| Interest expense | | | |
| ³ Due to other financial institutions | (33,153) | (11,904) | (30,538) |
| ³ Deposits and other borrowings | (22,381) | (13,754) | (36,387) |
| ³ Due to related parties | (43,586) | (35,477) | (74,950) |
| ³ Debt securities issued | (24,385) | (23,682) | (48,932) |
| ³ Lease liabilities | (39) | (49) | (94) |
| Total interest expense | (123,544) | (84,866) | (190,901) |
| Other interest income / (expense) | | | |
| ⁴ Investment securities | - | - | 77 |
| Total other interest income / (expense) | - | - | 77 |
| Total net interest income | 42,916 | 42,930 | 86,963 |

¹ Interest earned on financial assets classified and measured at amortised cost.

² Interest earned on financial assets classified and measured at FVOCI.

³ Interest expense on financial liabilities classified and measured at amortised cost.

⁴ Interest earned on financial assets classified and measured at FVTPL.

3. Non-interest income

| | Unaudited Jun 2024 6 months | Unaudited Jun 2023 6 months | Audited Dec 2023 12 months |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| Fees and commission income | | | |
| Lending and credit facility related fee income | 3,989 | 4,010 | 10,225 |
| Trade finance and other fee income | 6 | 321 | 616 |
| Total fees and commission income | 3,995 | 4,331 | 10,841 |
| Other fee expense | (226) | (89) | (253) |
| Net fees and commission income | 3,769 | 4,242 | 10,588 |
| Other income / (expense) | | | |
| Net ineffectiveness on fair value hedges | 204 | 134 | (593) |
| Net ineffectiveness on cash flow hedges | 1,161 | 400 | (558) |
| Other gains / (losses) on financial instruments ¹ | (169) | (6,204) | (14,473) |
| Net gain on financial assets at FVTPL | - | - | 38 |
| Total other income / (expense) | 1,196 | (5,670) | (15,586) |
| Total net non-interest income / expense | 4,965 | (1,428) | (4,998) |

¹ Includes customer driven trading income used for hedging purposes.

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

| | Other financial assets ¹ | Residential mortgage loans | Corporate exposures | Other exposures | Off-balance sheet credit related business ² | Total impairment loss |
|--|---|----------------------------------|------------------------|--------------------|---|-----------------------------|
| For the six months ended 30 June 2024 (Unaudited) | | | | | | |
| Movement in collectively assessed provisions | 79 | (2,166) | 2,002 | - | 3,056 | 2,971 |
| Movement in individually assessed provisions | - | - | - | - | - | - |
| Bad debts written-off directly to the profit or loss | - | - | - | - | - | - |
| Bad debts recovered | - | - | - | - | - | - |
| Total impairment (charges) / write-backs | 79 | (2,166) | 2,002 | - | 3,056 | 2,971 |

For the six months ended 30 June 2023 (Unaudited)

| | | | | | | |
|--|-------------|--------------|--------------|----------|------------|--------------|
| Movement in collectively assessed provisions | (69) | (510) | 2,358 | - | 848 | 2,627 |
| Movement in individually assessed provisions | - | - | - | - | - | - |
| Bad debts written-off directly to the profit or loss | - | - | - | - | - | - |
| Bad debts recovered | - | - | - | - | - | - |
| Total impairment (charges) / write-backs | (69) | (510) | 2,358 | - | 848 | 2,627 |

For the year ended 31 December 2023 (Audited)

| | | | | | | |
|--|--------------|--------------|--------------|----------|------------|--------------|
| Movement in collectively assessed provisions | 22 | 2,211 | 1,962 | - | 440 | 4,635 |
| Movement in individually assessed provisions | - | - | - | - | - | - |
| Bad debts written-off directly to the profit or loss | (140) | - | - | - | - | (140) |
| Bad debts recovered | - | - | - | - | - | - |
| Total impairment (charges) / write-backs | (118) | 2,211 | 1,962 | - | 440 | 4,495 |

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

² The provision for off-balance sheet credit related business is included in other liabilities (Note 14).

5. Net cash flows used in operating activities

| | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--|--------------------------|--------------------------|------------------------|
| For the period ended | | | |
| Reconciliation of profit after income tax to net cash flows from / (used in) operating activities | | | |
| Profit after income tax | 28,423 | 24,400 | 47,930 |
| Adjustments: | | | |
| Impairment losses on credit exposures | (2,971) | (2,627) | (4,495) |
| Depreciation and amortisation | 550 | 494 | 969 |
| Income tax expense | (3,655) | (5,430) | 331 |
| Movement in fair value of financial assets and liabilities | (62,165) | (49,735) | 45,047 |
| Movement in interest accruals | (1,364) | (4,306) | (23,017) |
| Net (increase) / decrease in operating assets: | | | |
| GST receivable | 10 | (51) | (49) |
| Loans and advances | (212,389) | 82,213 | (395,551) |
| Due from related parties ¹ | 3 | (164,228) | (14) |
| Other assets | (36) | 51 | (127) |
| Net increase / (decrease) in operating liabilities: | | | |
| Due to other financial institutions | 623,465 | (570,361) | (194,384) |
| Deposits from customers | (50,254) | (56,097) | 44,385 |
| Net cash flow (used in) / from operating activities | 319,617 | (745,677) | (478,975) |

¹ The Due from related parties amounts exclude nostro balances held with the Ultimate Parent Bank.

Financial Position

6. Cash and balances with central banks

As at

Settlement account balances with central banks

Total cash and balances with central banks

| Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--------------------------|--------------------------|------------------------|
| 609,798 | 542,247 | 372,436 |
| 609,798 | 542,247 | 372,436 |

7. Due from other financial institutions

As at

Placements with other financial institutions – call ¹

Placements with other financial institutions – term

Provision for impairment losses

Total amount due from other financial institutions

| Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--------------------------|--------------------------|------------------------|
| 205,361 | 26,419 | 13,469 |
| 50,541 | 90,067 | 114,987 |
| (14) | (147) | (17) |
| 255,888 | 116,339 | 128,439 |

¹ Included in Placements with other financial institutions as at 30 June 2024 are unsettled receivables from HSBC Bank Hong Kong amounting to \$196m. These receivables relate to securities issued in June 2024, with settlement scheduled for July 2024. The amount was settled on 9th July 2024.

8. Investment securities

As at

At FVOCI

Registered bank securities

Multilateral development banks and other international organisations

Government securities

Total investment securities at FVOCI

| Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--------------------------|--------------------------|------------------------|
| 85,679 | 75,618 | 85,685 |
| 136,370 | 242,377 | 247,334 |
| 5,914 | 5,782 | 5,870 |
| 227,963 | 323,777 | 338,889 |

Included in Total investment securities at FVOCI as at 30 June 2024 was \$35m encumbered through repurchase agreements (30 June 2023: \$51m, 31 December 2023: \$51m). These securities have not been derecognised by the NZ Banking Group as the NZ Banking Group retains substantially all the risks and rewards of ownership. Counterparties have the right to sell or repledge these encumbered securities. The NZ Banking Group's obligation to repurchase securities is classified under Note 11.

9. Loans and advances

As at

Residential mortgages

Corporate exposures

Total gross loans and advances

Unearned income

Loan origination fees

Fair value hedge adjustments

Loans and advances before provision for impairment

Provision for impairment losses

Total net loans and advances

| Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--------------------------|--------------------------|------------------------|
| 871,457 | 772,849 | 792,174 |
| 3,026,233 | 2,423,977 | 2,889,377 |
| 3,897,690 | 3,196,826 | 3,681,551 |
| (11,776) | (6,379) | (10,236) |
| 1,558 | 872 | 1,554 |
| (746) | (2,998) | (1,319) |
| 3,886,726 | 3,188,321 | 3,671,550 |
| (10,685) | (12,847) | (10,522) |
| 3,876,041 | 3,175,474 | 3,661,028 |

10. Property, plant and equipment

| <u>As at</u> | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--|--------------------------|--------------------------|------------------------|
| Property, plant and equipment | 4,447 | 4,300 | 4,383 |
| Accumulated depreciation | (3,781) | (3,658) | (3,683) |
| Total property, plant and equipment | 666 | 642 | 700 |
| Right-of-use assets ¹ | 7,736 | 7,736 | 7,736 |
| Accumulated depreciation | (4,827) | (3,929) | (4,378) |
| Total right-of-use assets | 2,909 | 3,807 | 3,358 |
| Total property, plant and equipment | 3,575 | 4,449 | 4,058 |

¹ Includes leases for a corporate office in Auckland and a kitchen appliance.

Additions to the right-of-use assets for the six months ended 30 June 2024 for the NZ Banking Group is nil (30 June 2023: nil, 31 December 2023: nil).

11. Due to other financial institutions

| <u>As at</u> | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|---|--------------------------|--------------------------|------------------------|
| Placements from other financial institutions | 1,834,069 | 819,769 | 1,194,332 |
| Securities sold under agreements to repurchase from central banks | 38,592 | 53,449 | 54,863 |
| Total amount due to other financial institutions | 1,872,661 | 873,218 | 1,249,195 |

12. Deposits from customers

| <u>As at</u> | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--------------------------------------|--------------------------|--------------------------|------------------------|
| Demand deposits bearing interest | 31,812 | 31,517 | 39,001 |
| Deposits not bearing interest | 6,197 | 5,212 | 7,285 |
| Term deposits | 419,967 | 370,038 | 463,034 |
| Total deposits from customers | 457,976 | 406,767 | 509,320 |

The branch held no retail deposits as at 30 June 2024 (30 June 2023: nil, 31 December 2023: nil).

13. Debt securities issued

| <u>As at</u> | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|---|--------------------------|--------------------------|------------------------|
| Short term debt | | | |
| Registered certificates of deposit | - | 20,000 | 60,000 |
| Long term debt | | | |
| Medium-term notes | 857,141 | 810,000 | 810,000 |
| Total debt securities issued at face value | 857,141 | 830,000 | 870,000 |
| Movement in debt securities issued | | | |
| Balance at beginning of the period | 872,408 | 754,322 | 754,322 |
| Issuance during the period | 197,141 | 245,000 | 455,000 |
| Repayments during the period | (210,000) | (175,000) | (345,000) |
| Effect of fair value hedge adjustment | 1,544 | 2,856 | 4,876 |
| Net effect of transaction costs and accruals | (928) | 2,502 | 3,210 |
| Balance at end of the period | 860,165 | 829,680 | 872,408 |
| Total debt securities | 860,165 | 829,680 | 872,408 |

14. Other liabilities

As at

Other liabilities

Trade creditors and other accrued expenses

Lease liabilities¹

Employee entitlements

Provision for impairment on off-balance sheet credit related business

Total other liabilities

| Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--------------------------|--------------------------|------------------------|
| 503 | 563 | 721 |
| 3,358 | 4,305 | 3,835 |
| 4,727 | 4,775 | 3,895 |
| 638 | 3,286 | 3,694 |
| 9,226 | 12,929 | 12,145 |

¹ Includes leases for a corporate office in Auckland and a kitchen appliance.

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

| | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--|--------------------------|--------------------------|------------------------|
| (a) Amounts recognised in profit or loss | | | |
| Interest on lease liabilities | 39 | 49 | 94 |
| Depreciation charge on right-of-use assets | 449 | 449 | 898 |
| Total amounts recognised in profit or loss | 488 | 498 | 992 |
| (b) Maturity analysis of contracted undiscounted cash flows | | | |
| Less than one year | 1,033 | 1,030 | 1,032 |
| One to five years | 2,352 | 3,296 | 2,824 |
| More than five years | 98 | 187 | 143 |
| Total undiscounted lease liabilities | 3,483 | 4,513 | 3,999 |
| (c) Lease liabilities included in other liabilities | | | |
| Current | 956 | 974 | 965 |
| Non-current | 2,402 | 3,331 | 2,870 |
| Total lease liabilities included in other liabilities | 3,358 | 4,305 | 3,835 |
| (d) Amounts recognised in the statement of cash flows | | | |
| Total cash outflow for leases¹ | 554 | 532 | 1,091 |

¹ Comparative information for 30 June 2023 has been restated to include interest paid on lease liabilities.

15. Fair value of financial instruments

Classification of financial instruments and estimates of fair value

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

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

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

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

“Level 1” – Quoted market price

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

“Level 2” – Valuation technique using observable inputs

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

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

Fair value measurement where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. All of the NZ Banking Group's financial instruments measured at FVTPL and FVOCI are recognised on a recurring basis within Level 2. The NZ Banking Group considers transfers between levels, if any, are deemed to have occurred at the beginning of the reporting period.

There have been no transfers between Level 1 and 2 of the fair value hierarchy during the period ended 30 June 2024 (30 June 2023: nil, 31 December 2023: nil). There have been no transfers into / out of Level 3 during the period ended 30 June 2024 (30 June 2023: nil, 31 December 2023: nil).

The table below shows the fair value of the NZ Banking Group's financial instruments measured at fair value on a recurring basis according to the fair value hierarchy described above.

| <u>As at</u> | Valuation Hierarchy | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|---|----------------------------|------------------------------|------------------------------|----------------------------|
| Financial assets | | | | |
| Investment securities | Level 2 | 227,963 | 323,777 | 338,889 |
| Derivative financial assets | Level 2 | 33,549 | 50,275 | 21,915 |
| Total financial assets measured at fair value | | 261,512 | 374,052 | 360,804 |
| Financial liabilities | | | | |
| Derivative financial liabilities | Level 2 | 18,427 | 40,681 | 62,976 |
| Total financial liabilities measured at fair value | | 18,427 | 40,681 | 62,976 |

(b) Fair value of financial instruments

Further information on valuation techniques and assumptions for specific financial instruments is included in Note 19 of the NZ Banking Group's annual Disclosure Statement.

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

| <u>As at 30 June 2024 (Unaudited)</u> | At amortised cost | At FVOCI | At FVTPL | Fair value - derivative instruments | Total carrying amount | Fair value |
|---------------------------------------|--------------------------|-----------------|-----------------|--|------------------------------|-------------------|
| Financial assets | | | | | | |
| Cash and balances with central banks | 609,798 | - | - | - | 609,798 | 609,798 |
| Due from other financial institutions | 255,888 | - | - | - | 255,888 | 255,888 |
| Investment securities | - | 227,963 | - | - | 227,963 | 227,963 |
| Loans and advances | 3,876,041 | - | - | - | 3,876,041 | 4,287,200 |
| Due from related parties | 358 | - | - | - | 358 | 358 |
| Derivative financial assets | - | - | - | 33,549 | 33,549 | 33,549 |
| Other assets | 90 | - | - | - | 90 | 90 |
| Total financial assets | 4,742,175 | 227,963 | - | 33,549 | 5,003,687 | 5,414,846 |
| Financial liabilities | | | | | | |
| Due to other financial institutions | 1,872,661 | - | - | - | 1,872,661 | 1,872,112 |
| Deposits from customers | 457,976 | - | - | - | 457,976 | 463,183 |
| Debt securities issued | 860,165 | - | - | - | 860,165 | 909,113 |
| Due to related parties | 1,391,372 | - | - | - | 1,391,372 | 1,422,399 |
| Derivative financial liabilities | - | - | - | 18,427 | 18,427 | 18,427 |
| Lease liabilities | 3,358 | - | - | - | 3,358 | 3,358 |
| Total financial liabilities | 4,585,532 | - | - | 18,427 | 4,603,959 | 4,688,592 |

| | At amortised cost | At FVOCI | At FVTPL | Fair value - derivative instruments | Total carrying amount | Fair value |
|--|----------------------|----------------|----------|---|-----------------------------|------------------|
| <u>As at 30 June 2023 (Unaudited)</u> | | | | | | |
| Financial assets | | | | | | |
| Cash and balances with central banks | 542,247 | - | - | - | 542,247 | 542,247 |
| Due from other financial institutions | 116,339 | - | - | - | 116,339 | 116,339 |
| Investment securities | - | 323,777 | - | - | 323,777 | 323,777 |
| Loans and advances | 3,175,474 | - | - | - | 3,175,474 | 3,333,492 |
| Due from related parties | 164,817 | - | - | - | 164,817 | 164,916 |
| Derivative financial assets | - | - | - | 50,275 | 50,275 | 50,275 |
| Other assets | 102 | - | - | - | 102 | 102 |
| Total financial assets | 3,998,979 | 323,777 | - | 50,275 | 4,373,031 | 4,531,148 |
| Financial liabilities | | | | | | |
| Due to other financial institutions | 873,218 | - | - | - | 873,218 | 876,719 |
| Deposits from customers | 406,767 | - | - | - | 406,767 | 412,540 |
| Debt securities issued | 829,680 | - | - | - | 829,680 | 871,952 |
| Due to related parties | 1,872,441 | - | - | - | 1,872,441 | 1,900,643 |
| Subordinated debt | - | - | - | - | - | - |
| Derivative financial liabilities | - | - | - | 40,681 | 40,681 | 40,681 |
| Lease liabilities | 4,305 | - | - | - | 4,305 | 4,305 |
| Total financial liabilities | 3,986,411 | - | - | 40,681 | 4,027,092 | 4,106,840 |
| <u>As at 31 December 2023 (Audited)</u> | | | | | | |
| Financial assets | | | | | | |
| Cash and balances with central banks | 372,436 | - | - | - | 372,436 | 372,436 |
| Due from other financial institutions | 128,439 | - | - | - | 128,439 | 128,439 |
| Investment securities | - | 338,889 | - | - | 338,889 | 338,889 |
| Loans and advances | 3,661,028 | - | - | - | 3,661,028 | 4,060,223 |
| Due from related parties | 967 | - | - | - | 967 | 967 |
| Derivative financial assets | - | - | - | 21,915 | 21,915 | 21,915 |
| Other assets | 100 | - | - | - | 100 | 100 |
| Total financial assets | 4,162,970 | 338,889 | - | 21,915 | 4,523,774 | 4,922,969 |
| Financial liabilities | | | | | | |
| Due to other financial institutions | 1,249,195 | - | - | - | 1,249,195 | 1,244,843 |
| Deposits from customers | 509,320 | - | - | - | 509,320 | 513,164 |
| Debt securities issued | 872,408 | - | - | - | 872,408 | 917,937 |
| Due to related parties | 1,449,368 | - | - | - | 1,449,368 | 1,464,415 |
| Subordinated debt | - | - | - | - | - | - |
| Derivative financial liabilities | - | - | - | 62,976 | 62,976 | 62,976 |
| Lease liabilities | 3,835 | - | - | - | 3,835 | 3,835 |
| Total financial liabilities | 4,084,126 | - | - | 62,976 | 4,147,102 | 4,207,170 |

16. Related party transactions and balances

During the period ended 30 June 2024, the NZ Banking Group has entered into or had in place various financial transactions with members of the Overseas Banking Group, represented by the Ultimate Parent Bank.

(a) Nature of transactions and balances with related parties

The NZ Banking Group undertakes transactions with the Overseas Banking Group. These transactions principally consist of funding (interest bearing) and hedging transactions (interest bearing) and the provision of technology and process support transactions with related parties outside of the NZ Banking Group. The settlement of the balances will be in cash consideration.

(b) Ultimate Parent Bank

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

The amounts due to the Ultimate Parent Bank consist of borrowed funds from the Ultimate Parent Bank measured at amortised cost. These borrowings are made in the normal course of business and interest paid on borrowings is at market rates.

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

Recognised in

(a) Transactions with related parties

Interest income ¹

Interest expense ²

Non-interest income / (expense)

Unrealised gain / (loss) on derivatives

Total profit or loss impact

(b) Balances with related parties

Due from related parties

Cash and liquid assets

Other assets

Total due from related parties

Derivative financial assets

Total related party assets

Due to related parties

Borrowings at amortised cost

Total due to related parties

Derivative financial liabilities

Total related party liabilities

| | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|---|--------------------------|--------------------------|------------------------|
| Interest income ¹ | 166 | 202 | 633 |
| Interest expense ² | (38,531) | (32,088) | (66,487) |
| Non-interest income / (expense) | | | |
| Unrealised gain / (loss) on derivatives | (316) | (5,177) | (11,530) |
| Total profit or loss impact | (38,681) | (37,063) | (77,384) |
| Due from related parties | | | |
| Cash and liquid assets | 343 | 164,787 | 949 |
| Other assets | 15 | 30 | 18 |
| Total due from related parties | 358 | 164,817 | 967 |
| Derivative financial assets | 21,047 | 35,895 | 8,886 |
| Total related party assets | 21,405 | 200,712 | 9,853 |
| Due to related parties | | | |
| Borrowings at amortised cost | 1,391,372 | 1,872,441 | 1,449,368 |
| Total due to related parties | 1,391,372 | 1,872,441 | 1,449,368 |
| Derivative financial liabilities | 2,910 | 19,582 | 38,342 |
| Total related party liabilities | 1,394,282 | 1,892,023 | 1,487,710 |

¹ Included in related party interest income are interest earned on liquid assets and derivative financial assets.

² Included in related party interest expense are interest paid on borrowings with related parties and derivative financial liabilities. Comparatives for periods ending 30 June 2023 and 31 December 2023 also include interest paid on subordinated debt. The subordinated debt was fully repaid in April 2023.

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

Provision for credit impairment of nil has been recognised in respect of the related party assets as at 30 June 2024 (30 June 2023: nil, 31 December 2023: nil).

Risk Management

A. Risk management disclosure

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed since 31 December 2023.

B. Market disruption

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

C. Impacts of climate change on credit risk

The NZ Banking Group recognises the potential compounding effects climate-related risks may pose to the financial system and the NZ Banking Group's other risks. As a responsible financial institution, the NZ Banking Group is committed to understanding and applying a risk-based approach to the management of the risks and opportunities associated with climate change. The NZ Banking Group's climate risk appetite is designed therefore to ensure that it can effectively manage and mitigate climate-related risks while balancing the needs of its key stakeholders. This includes having clear processes to identify and assess the physical, transition and other climate related risks across its business activities. Additionally, the NZ Banking Group embraces the opportunity to work with its customers in this area to deliver better customer outcomes.

17. Asset quality

A. Credit quality information

As at 30 June 2024 (Unaudited)

(a) Asset quality - advances to customers

| | Residential mortgages | Corporate exposures | Other exposures | Total loans and advances |
|---------------------------------|-----------------------|---------------------|-----------------|--------------------------|
| Neither past due nor impaired | 871,457 | 3,026,233 | - | 3,897,690 |
| Past due but not impaired | - | - | - | - |
| Individually impaired assets | - | - | - | - |
| Provision for credit impairment | (6,784) | (3,902) | - | (10,686) |
| Unearned income | - | - | - | (11,776) |
| Loan origination fees | - | - | - | 1,558 |
| Fair value hedge adjustments | - | - | - | (746) |
| Net carrying amount | 864,673 | 3,022,331 | - | 3,876,040 |

(b) Ageing of past due but not impaired

| | | | | |
|----------------------------|----------|----------|----------|----------|
| Less than 30 days | - | - | - | - |
| 30 to 59 days | - | - | - | - |
| 60 to 89 days | - | - | - | - |
| 90 days and over | - | - | - | - |
| Net carrying amount | - | - | - | - |

(c) Individually impaired assets

| | | | | |
|----------------------------------|----------|----------|----------|----------|
| Balance at beginning of the year | - | - | - | - |
| Additions | - | - | - | - |
| Amounts written off | - | - | - | - |
| Deletions | - | - | - | - |
| Net carrying amount | - | - | - | - |

| | Residential mortgage loans | Corporate exposures | Other exposures | Total loans and advances |
|--|----------------------------------|------------------------|--------------------|--------------------------------|
| As at 30 June 2023 (Unaudited) | | | | |
| (a) Asset quality - advances to customers | | | | |
| Neither past due nor impaired | 770,896 | 2,423,977 | - | 3,194,873 |
| Past due but not impaired | 1,953 | - | - | 1,953 |
| Individually impaired assets | - | - | - | - |
| Provision for credit impairment | (7,339) | (5,508) | - | (12,847) |
| Unearned income | - | - | - | (6,379) |
| Loan origination fees | - | - | - | 872 |
| Fair value hedge adjustments | - | - | - | (2,998) |
| Net carrying amount | 765,510 | 2,418,469 | - | 3,175,474 |
| (b) Ageing of past due but not impaired | | | | |
| Less than 30 days | - | - | - | - |
| 30 to 59 days | 1,953 | - | - | 1,953 |
| 60 to 89 days | - | - | - | - |
| 90 days and over | - | - | - | - |
| Net carrying amount | 1,953 | - | - | 1,953 |
| (c) Individually impaired assets | | | | |
| Balance at beginning of the year | - | - | - | - |
| Additions | - | - | - | - |
| Amounts written off | - | - | - | - |
| Deletions | - | - | - | - |
| Net carrying amount | - | - | - | - |
| As at 31 December 2023 (Audited) | | | | |
| (a) Asset quality - advances to customers | | | | |
| Neither past due nor impaired | 792,174 | 2,889,377 | - | 3,681,551 |
| Past due but not impaired | - | - | - | - |
| Individually impaired assets | - | - | - | - |
| Provision for credit impairment | (4,618) | (5,904) | - | (10,522) |
| Unearned income | - | - | - | (10,236) |
| Loan origination fees | - | - | - | 1,554 |
| Fair value hedge adjustments | - | - | - | (1,319) |
| Carrying amount | 787,556 | 2,883,473 | - | 3,661,028 |
| (b) Ageing of past due but not impaired | | | | |
| Less than 30 days | - | - | - | - |
| 30 to 59 days | - | - | - | - |
| 60 to 89 days | - | - | - | - |
| 90 days and over | - | - | - | - |
| Carrying amount | - | - | - | - |
| (c) Individually impaired assets | | | | |
| Balance at beginning of the year | - | - | - | - |
| Additions | - | - | - | - |
| Amounts written off | - | - | - | - |
| Deletions | - | - | - | - |
| Net carrying amount | - | - | - | - |

Asset quality for financial assets designated as FVTPL

The NZ Banking Group does not have any financial assets designated as FVTPL as at 30 June 2024 (30 June 2023: nil, 31 December 2023: nil).

B. Movement in loans and advances

| | Stage 1 | Stage 2 | Stage 3 | |
|---|------------------|--|------------------------------------|--|
| | 12-months ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Individually assessed Lifetime ECL |
| As at 30 June 2024 (Unaudited) | | | | Total |
| (a) Residential mortgages | | | | |
| Gross balance as at 1 January 2024 | 792,174 | - | - | - |
| Additions | 150,517 | 1,624 | - | - |
| Deletions | (71,234) | (1,624) | - | - |
| Gross balance as at 30 June 2024 | 871,457 | - | - | - |
| (b) Corporate exposures | | | | |
| Gross balance as at 1 January 2024 | 2,856,576 | 32,801 | - | - |
| Additions | 1,011,381 | 14,468 | - | - |
| Deletions | (874,320) | (14,673) | - | - |
| Gross balance as at 30 June 2024 | 2,993,637 | 32,596 | - | - |
| (c) Total loans and advances | | | | |
| Gross balance as at 1 January 2024 | 3,648,750 | 32,801 | - | - |
| Additions | 1,161,898 | 16,092 | - | - |
| Deletions | (945,554) | (16,297) | - | - |
| Gross balance as at 30 June 2024 | 3,865,094 | 32,596 | - | - |
| As at 30 June 2023 (Unaudited) | | | | |
| (a) Residential mortgages | | | | |
| Gross balance as at 1 January 2023 | 738,651 | - | - | - |
| Additions | 101,600 | 1,953 | - | - |
| Deletions | (69,355) | - | - | - |
| Gross balance as at 30 June 2023 | 770,896 | 1,953 | - | - |
| (b) Corporate exposures | | | | |
| Gross balance as at 1 January 2023 | 2,533,005 | 2,964 | - | - |
| Additions | 606,344 | 15 | - | - |
| Deletions | (715,372) | (2,979) | - | - |
| Gross balance as at 30 June 2023 | 2,423,977 | - | - | - |
| (c) Total loans and advances | | | | |
| Gross balance as at 1 January 2023 | 3,271,656 | 2,964 | - | - |
| Additions | 707,944 | 1,968 | - | - |
| Deletions | (784,727) | (2,979) | - | - |
| Gross balance as at 30 June 2023 | 3,194,873 | 1,953 | - | - |
| As at 31 December 2023 (Audited) | | | | |
| (a) Residential mortgages | | | | |
| Gross balance as at 1 January 2023 | 738,651 | - | - | - |
| Additions | 222,372 | 1,953 | 1,027 | - |
| Deletions | (168,849) | (1,953) | (1,027) | - |
| Gross balance as at 31 December 2023 | 792,174 | - | - | - |
| (b) Corporate exposures | | | | |
| Gross balance as at 1 January 2023 | 2,533,005 | 2,964 | - | - |
| Additions | 2,021,690 | 53,820 | - | - |
| Deletions | (1,698,119) | (23,983) | - | - |
| Gross balance as at 31 December 2023 | 2,856,576 | 32,801 | - | - |
| (c) Total loans and advances | | | | |
| Gross balance as at 1 January 2023 | 3,271,656 | 2,964 | - | - |
| Additions | 2,244,062 | 55,773 | 1,027 | - |
| Deletions | (1,866,968) | (25,936) | (1,027) | - |
| Gross balance as at 31 December 2023 | 3,648,750 | 32,801 | - | - |

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

C. Movement in provision for impairment losses

| | Stage 1 Collective provision | Stage 2 Collective provision | Stage 3 | | Total |
|---|------------------------------------|---|---|---|----------------------------|
| | | | Collective provision | Individually assessed | |
| | <u>12-months ECL</u> | <u>Lifetime ECL not credit impaired</u> | <u>Lifetime ECL credit impaired</u> | <u>Lifetime ECL credit impaired</u> | <u>Total provision</u> |
| As at 30 June 2024 (Unaudited) | | | | | |
| Due from other financial institutions ¹ | 14 | - | - | - | 14 |
| Investment securities ² | 129 | - | - | - | 129 |
| Loans and advances | 10,606 | 80 | - | - | 10,686 |
| Off-balance sheet credit related commitments | 638 | - | - | - | 638 |
| Total provision for impairment losses as at 30 June 2024 | 11,387 | 80 | - | - | 11,467 |
| (a) Residential mortgages | | | | | |
| Balance as at 1 January 2024 | 4,618 | - | - | - | 4,618 |
| Transferred to Stage 1 | 247 | (247) | - | - | - |
| Transferred to Stage 2 | (247) | 247 | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 2,724 | - | - | - | 2,724 |
| Reversals of previously recognised impairment losses | (558) | - | - | - | (558) |
| Balance as at 30 June 2024 | 6,784 | - | - | - | 6,784 |
| (b) Corporate exposures | | | | | |
| Balance as at 1 January 2024 | 5,812 | 92 | - | - | 5,904 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | - | 176 | - | - | 176 |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 1,526 | 11 | - | - | 1,537 |
| Reversals of previously recognised impairment losses | (3,516) | (199) | - | - | (3,715) |
| Balance as at 30 June 2024 | 3,822 | 80 | - | - | 3,902 |
| (c) Total loans and advances | | | | | |
| Balance as at 1 January 2024 | 10,430 | 92 | - | - | 10,522 |
| Transferred to Stage 1 | 247 | (247) | - | - | - |
| Transferred to Stage 2 | (247) | 423 | - | - | 176 |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 4,250 | 11 | - | - | 4,261 |
| Reversals of previously recognised impairment losses | (4,074) | (199) | - | - | (4,273) |
| Total provision for impairment losses on loans & advances as at 30 June 2024 | 10,606 | 80 | - | - | 10,686 |

¹ There was no transfer of collective provision for due from other financial institutions between the stages. The total provision of \$14,000 (refer Note 7) was represented in 'collective provision 12-months ECL' during the period.

² There was no transfer of collective provision for investment securities between the stages. The total provision of \$129,000 was represented in 'collective provision 12-months ECL' during the period.

C. Movement in provision for impairment losses (continued)

| | Stage 1 | Stage 2 | Stage 3 | | Total |
|---|----------------------|----------------------------------|------------------------------|------------------------------|-----------------|
| | Collective provision | Collective provision | Collective provision | Individually assessed | |
| | 12-months ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Lifetime ECL credit impaired | Total provision |
| As at 30 June 2023 (Unaudited) | | | | | |
| Due from other financial institutions ¹ | 147 | - | - | - | 147 |
| Investment securities ² | 165 | - | - | - | 165 |
| Loans and advances | 12,623 | 224 | - | - | 12,847 |
| Off-balance sheet credit related commitments | 3,286 | - | - | - | 3,286 |
| Total provision for impairment losses as at 30 June 2023 | 16,221 | 224 | - | - | 16,445 |
| (a) Residential mortgages | | | | | |
| Balance as at 1 January 2023 | 6,829 | - | - | - | 6,829 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | (224) | 224 | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 1,155 | - | - | - | 1,155 |
| Amounts written off | - | - | - | - | - |
| Reversals of previously recognised impairment losses | (645) | - | - | - | (645) |
| Recovery | - | - | - | - | - |
| Balance as at 30 June 2023 | 7,115 | 224 | - | - | 7,339 |
| (b) Corporate exposures | | | | | |
| Balance as at 1 January 2023 | 7,414 | 452 | - | - | 7,866 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | - | - | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 2,961 | - | - | - | 2,961 |
| Amounts written off | - | - | - | - | - |
| Reversals of previously recognised impairment losses | (4,867) | (452) | - | - | (5,319) |
| Recovery | - | - | - | - | - |
| Balance as at 30 June 2023 | 5,508 | - | - | - | 5,508 |
| (c) Total loans and advances | | | | | |
| Balance as at 1 January 2023 | 14,243 | 452 | - | - | 14,695 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | (224) | 224 | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 4,116 | - | - | - | 4,116 |
| Amounts written off | - | - | - | - | - |
| Reversals of previously recognised impairment losses | (5,512) | (452) | - | - | (5,964) |
| Recovery | - | - | - | - | - |
| Total provision for impairment losses on loans & advances as at 30 June 2023 | 12,623 | 224 | - | - | 12,847 |

¹ There was no transfer of collective provision for due from other financial institutions between the stages. The total provision of \$147,000 (refer Note 7) was represented in 'collective provision 12-months ECL' during the period.

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

C. Movement in provision for impairment losses (continued)

| | Stage 1 | Stage 2 | Stage 3 | | Total |
|---|----------------------|----------------------------------|------------------------------|------------------------------|-----------------|
| | Collective provision | Collective provision | Collective provision | Individually assessed | |
| | 12-months ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Lifetime ECL credit impaired | Total provision |
| As at 31 December 2023 (Audited) | | | | | |
| Due from other financial institutions ¹ | 17 | - | - | - | 17 |
| Investment securities ² | 205 | - | - | - | 205 |
| Loans and advances | 10,430 | 92 | - | - | 10,522 |
| Off-balance sheet credit related commitments | 3,694 | - | - | - | 3,694 |
| Total provision for impairment losses as at 31 December 2023 | 14,346 | 92 | - | - | 14,438 |
| (a) Residential mortgages | | | | | |
| Balance as at 1 January 2023 | 6,829 | - | - | - | 6,829 |
| Transferred to Stage 1 | 106 | (106) | - | - | - |
| Transferred to Stage 2 | (224) | 224 | - | - | - |
| Transferred to Stage 3 | - | (118) | 118 | - | - |
| Charged / (credited) to profit or loss | 2,043 | - | 168 | - | 2,211 |
| Reversals of previously recognised impairment losses | (4,136) | - | (286) | - | (4,422) |
| Balance as at 31 December 2023 | 4,618 | - | - | - | 4,618 |
| (b) Corporate exposures | | | | | |
| Balance as at 1 January 2023 | 7,414 | 452 | - | - | 7,866 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | (559) | 559 | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 6,343 | 9 | - | - | 6,352 |
| Reversals of previously recognised impairment losses | (7,386) | (928) | - | - | (8,314) |
| Balance as at 31 December 2023 | 5,812 | 92 | - | - | 5,904 |
| (c) Total loans and advances | | | | | |
| Balance as at 1 January 2023 | 14,243 | 452 | - | - | 14,695 |
| Transferred to Stage 1 | 106 | (106) | - | - | - |
| Transferred to Stage 2 | (783) | 783 | - | - | - |
| Transferred to Stage 3 | - | (118) | 118 | - | - |
| Charged / (credited) to profit or loss | 8,386 | 9 | 168 | - | 8,563 |
| Reversals of previously recognised impairment losses | (11,522) | (928) | (286) | - | (12,736) |
| Total provision for impairment losses on loans & advances as at 31 December 2023 | 10,430 | 92 | - | - | 10,522 |

¹ There was no transfer of collective provision for due from other financial institutions between the stages. The total provision of \$17,000 (refer Note 7) was represented in 'collective provision 12-months ECL' during the period.

² There was no transfer of collective provision for investment securities between the stages. The total provision of \$205,000 was represented in 'collective provision 12-months ECL' during the period.

| | Stage 1 Collective provision | Stage 2 Collective provision | Stage 3 Collective provision | Stage 3 Individually assessed | Total |
|---|------------------------------------|---|---|---|------------------|
| | <u>12-months ECL</u> | <u>Lifetime ECL not credit impaired</u> | <u>Lifetime ECL credit impaired</u> | <u>Lifetime ECL credit impaired</u> | <u>provision</u> |
| As at 30 June 2024 (Unaudited) | | | | | |
| Off-balance sheet credit related business ¹ | | | | | |
| Balance as at 1 January 2024 | 3,694 | - | - | - | 3,694 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | - | - | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 790 | - | - | - | 790 |
| Reversals of previously recognised impairment losses | (3,846) | - | - | - | (3,846) |
| Balance as at 30 June 2024 | 638 | - | - | - | 638 |
| As at 30 June 2023 (Unaudited) | | | | | |
| Off-balance sheet credit related business ¹ | | | | | |
| Balance as at 1 January 2023 | 4,134 | - | - | - | 4,134 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | - | - | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 1,089 | - | - | - | 1,089 |
| Amounts written off | - | - | - | - | - |
| Reversals of previously recognised impairment losses | (1,937) | - | - | - | (1,937) |
| Recovery | - | - | - | - | - |
| Balance as at 30 June 2023 | 3,286 | - | - | - | 3,286 |
| As at 31 December 2023 (Audited) | | | | | |
| Off-balance sheet credit related business ¹ | | | | | |
| Balance as at 1 January 2023 | 4,134 | - | - | - | 4,134 |
| Transferred to Stage 1 | - | - | - | - | - |
| Transferred to Stage 2 | - | - | - | - | - |
| Transferred to Stage 3 | - | - | - | - | - |
| Charged / (credited) to profit or loss | 1,876 | - | - | - | 1,876 |
| Reversals of previously recognised impairment losses | (2,316) | - | - | - | (2,316) |
| Balance as at 31 December 2023 | 3,694 | - | - | - | 3,694 |

¹ The provision for off-balance sheet credit related business is included in other liabilities (Note 14).

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

The changes in the 30 June 2024 ECL outputs are the combined result of movements in the loan portfolio balances and the routine refresh of the PD and LGD factors during the six months ending 30 June 2024. Overall, net ECL for the NZ Banking Group is \$3m, for the six months ending 30 June 2024.

(a) Credit commitments to counterparties

Undrawn balances on credit commitments to counterparties for whom drawn balances are classified as individually impaired were nil as at 30 June 2024 (30 June 2023: nil, 31 December 2023: nil).

(b) Assets under administration

The NZ Banking Group does not have any assets under administration as at 30 June 2024 (30 June 2023: nil, 31 December 2023: nil).

(c) Restructured assets

The NZ Banking Group does not have any restructured assets as at 30 June 2024 (30 June 2023: nil, 31 December 2023: nil).

18. Concentration of credit exposures

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

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

| As at | On-balance sheet credit exposures | | | Off-balance sheet credit related commitments | | |
|--|-----------------------------------|--------------------------|------------------------|--|--------------------------|------------------------|
| | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
| Industry sector | | | | | | |
| Accommodation and food services | 14,840 | - | 14,849 | - | - | 100,000 |
| Agriculture, forestry and fishing | 60,329 | 49,915 | 49,937 | 9,934 | 6,955 | 7,552 |
| Construction | 386,806 | 435,206 | 407,940 | 34,330 | 98,318 | 65,816 |
| Education & training | 88,684 | 81,478 | 84,956 | 4,503 | 14,568 | 9,694 |
| Electricity, gas, water and waste services | 548,407 | 460,717 | 435,845 | 377,519 | 368,704 | 541,277 |
| Financial and insurance services | 375,488 | 407,196 | 237,023 | - | - | - |
| Healthcare and social assistance | 260,234 | 146,729 | 242,183 | 20,955 | 43,833 | 39,515 |
| Information media and telecommunications | 149,715 | 149,296 | 149,672 | 20,907 | 21,320 | 20,976 |
| Local government administration | - | - | - | 25,000 | - | - |
| Manufacturing | 370,148 | 181,911 | 481,863 | 391,555 | 261,396 | 9,943 |
| Mining | 45,167 | 43,242 | 39,920 | 15,214 | 17,143 | 20,357 |
| Personal lending | 871,457 | 772,849 | 792,174 | 15,872 | 940 | 5,766 |
| Public administration and safety | 752,082 | 790,406 | 625,640 | - | - | - |
| Rental, hiring and real estate services | 918,818 | 756,795 | 832,302 | 62,177 | 166,943 | 134,179 |
| Retail trade | 64,260 | 4,954 | 64,464 | 127 | 127 | 127 |
| Transport, postal and warehousing | 118,826 | 113,734 | 85,446 | 238,094 | 234,729 | 282,110 |
| Subtotal | 5,025,261 | 4,394,428 | 4,544,214 | 1,216,187 | 1,234,976 | 1,237,312 |
| Unearned income | (11,776) | (6,379) | (10,236) | - | - | - |
| Loan origination fees | 1,558 | 872 | 1,554 | - | - | - |
| Fair value hedge adjustments | (746) | (2,998) | (1,319) | - | - | - |
| Provision for impairment losses ¹ | (10,700) | (12,994) | (10,539) | (638) | (3,286) | (3,694) |
| Total credit exposures | 5,003,597 | 4,372,929 | 4,523,674 | 1,215,549 | 1,231,690 | 1,233,618 |
| Geographic area ² | | | | | | |
| New Zealand | 4,425,524 | 3,641,936 | 3,945,601 | 1,202,880 | 1,079,123 | 1,088,622 |
| Other countries | 578,073 | 730,993 | 578,073 | 12,669 | 152,567 | 144,996 |
| Total credit exposures | 5,003,597 | 4,372,929 | 4,523,674 | 1,215,549 | 1,231,690 | 1,233,618 |

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

² Geographic area classification is based on customer's tax residency status.

19. Market risk management

(a) Interest rate risk

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

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

(b) Interest rate repricing gap analysis

The following table presents the NZ Banking Group's assets and liabilities at their carrying amounts as at 30 June 2024, categorised by the earlier of the contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the NZ Banking Group's exposure to interest rate movements, are included under the heading "Non-interest bearing".

| As at 30 June 2024 (Unaudited) | Up to 3 months | Over 3 to 6 months | Over 6 to 12 months | Over 1 to 2 years | Over 2 years | Non interest bearing | Total |
|---|---------------------------|-------------------------------|--------------------------------|------------------------------|-------------------------|-------------------------------------|------------------|
| Financial assets | | | | | | | |
| Cash and balances with central banks | 609,798 | - | - | - | - | - | 609,798 |
| Due from other financial institutions | 255,714 | - | - | - | - | 174 | 255,888 |
| Investment securities | 97,185 | - | 32,490 | - | 96,714 | 1,574 | 227,963 |
| Loans and advances ¹ | 2,933,980 | 315,714 | 382,182 | 199,450 | 45,209 | (494) | 3,876,041 |
| Due from related parties | 358 | - | - | - | - | - | 358 |
| Derivative financial assets | - | - | - | - | - | 33,549 | 33,549 |
| Total financial assets | 3,897,035 | 315,714 | 414,672 | 199,450 | 141,923 | 34,803 | 5,003,597 |
| Non-financial assets | - | - | - | - | - | 7,954 | 7,954 |
| Total assets | 3,897,035 | 315,714 | 414,672 | 199,450 | 141,923 | 42,757 | 5,011,551 |
| Financial liabilities | | | | | | | |
| Due to other financial institutions | 1,072,727 | 460,818 | 82,142 | - | 225,098 | 31,876 | 1,872,661 |
| Deposits from customers | 189,281 | 101,796 | 136,873 | 20,397 | 3,437 | 6,192 | 457,976 |
| Debt securities issued | 575,000 | 282,141 | - | - | - | 3,024 | 860,165 |
| Due to related parties | 155,093 | - | 164,285 | 246,427 | 844,127 | (18,560) | 1,391,372 |
| Derivative financial liabilities | - | - | - | - | - | 18,427 | 18,427 |
| Total financial liabilities | 1,992,101 | 844,755 | 383,300 | 266,824 | 1,072,662 | 40,959 | 4,600,601 |
| Non-financial liabilities | - | - | - | - | - | 10,742 | 10,742 |
| Total liabilities | 1,992,101 | 844,755 | 383,300 | 266,824 | 1,072,662 | 51,701 | 4,611,343 |
| On-balance sheet interest rate repricing gap | 1,904,934 | (529,041) | 31,372 | (67,374) | (930,739) | (8,944) | 400,208 |
| Net derivative notional amount | (1,375,670) | 238,785 | 324,433 | 223,592 | 588,860 | - | - |
| Net interest rate repricing gap | 529,264 | (290,256) | 355,805 | 156,218 | (341,879) | (8,944) | 400,208 |

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

| As at 30 June 2023 (Unaudited) | Up to 3 months | Over 3 to 6 months | Over 6 to 12 months | Over 1 to 2 years | Over 2 years | Non interest bearing | Total |
|---|---------------------------|-------------------------------|--------------------------------|------------------------------|-------------------------|-------------------------------------|------------------|
| Financial assets | | | | | | | |
| Cash and balances with central banks | 542,247 | - | - | - | - | - | 542,247 |
| Due from other financial institutions | 116,223 | - | - | - | - | 116 | 116,339 |
| Investment securities | 75,077 | - | 109,605 | 42,876 | 94,344 | 1,875 | 323,777 |
| Loans and advances ¹ | 2,398,750 | 252,963 | 338,384 | 158,234 | 33,700 | (6,557) | 3,175,474 |
| Due from related parties | 164,817 | - | - | - | - | - | 164,817 |
| Derivative financial assets | - | - | - | - | - | 50,275 | 50,275 |
| Total financial assets | 3,297,114 | 252,963 | 447,989 | 201,110 | 128,044 | 45,709 | 4,372,929 |
| Non-financial assets | - | - | - | - | - | 13,171 | 13,171 |
| Total assets | 3,297,114 | 252,963 | 447,989 | 201,110 | 128,044 | 58,880 | 4,386,100 |
| Financial liabilities | | | | | | | |
| Due to other financial institutions | 405,564 | 117,034 | 341,620 | - | - | 9,000 | 873,218 |
| Deposits from customers | 224,697 | 80,133 | 90,755 | 5,971 | - | 5,211 | 406,767 |
| Debt securities issued | 725,000 | 20,000 | - | 85,000 | - | (320) | 829,680 |
| Due to related parties | 879,974 | 166,156 | 49,245 | 164,150 | 656,599 | (43,683) | 1,872,441 |
| Derivative financial liabilities | - | - | - | - | - | 40,681 | 40,681 |
| Total financial liabilities | 2,235,235 | 383,323 | 481,620 | 255,121 | 656,599 | 10,889 | 4,022,787 |
| Non-financial liabilities | - | - | - | - | - | 16,496 | 16,496 |
| Total liabilities | 2,235,235 | 383,323 | 481,620 | 255,121 | 656,599 | 27,385 | 4,039,283 |
| On-balance sheet interest rate repricing gap | 1,061,879 | (130,360) | (33,631) | (54,011) | (528,555) | 31,495 | 346,817 |
| Net derivative notional amount | (1,171,455) | 125,851 | 367,116 | 167,920 | 510,568 | - | - |
| Net interest rate repricing gap | (109,576) | (4,509) | 333,485 | 113,909 | (17,987) | 31,495 | 346,817 |

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

As at 31 December 2023 (Audited)

| | | | | | | | |
|---|------------------|------------------|------------------|----------------|------------------|-----------------|------------------|
| Financial assets | | | | | | | |
| Cash and balances with central banks | 372,436 | - | - | - | - | - | 372,436 |
| Due from other financial institutions | 128,243 | - | - | - | - | 196 | 128,439 |
| Investment securities | 85,100 | 110,975 | 11,864 | 32,012 | 97,009 | 1,929 | 338,889 |
| Loans and advances ¹ | 2,724,835 | 198,897 | 452,390 | 238,466 | 48,013 | (1,573) | 3,661,028 |
| Due from related parties | 967 | - | - | - | - | - | 967 |
| Derivative financial assets | - | - | - | - | - | 21,915 | 21,915 |
| Total financial assets | 3,311,581 | 309,872 | 464,254 | 270,478 | 145,022 | 22,467 | 4,523,674 |
| Non-financial assets | - | - | - | - | - | 9,176 | 9,176 |
| Total assets | 3,311,581 | 309,872 | 464,254 | 270,478 | 145,022 | 31,643 | 4,532,850 |
| Financial liabilities | | | | | | | |
| Due to other financial institutions | 469,049 | 78,771 | 454,011 | - | 221,902 | 25,462 | 1,249,195 |
| Deposits from customers | 300,620 | 114,999 | 63,185 | 20,084 | 3,151 | 7,281 | 509,320 |
| Debt securities issued | 745,000 | 40,000 | 85,000 | - | - | 2,408 | 872,408 |
| Due to related parties | 201,691 | 230,263 | 148,727 | 252,068 | 630,169 | (13,550) | 1,449,368 |
| Derivative financial liabilities | - | - | - | - | - | 62,976 | 62,976 |
| Total financial liabilities | 1,716,360 | 464,033 | 750,923 | 272,152 | 855,222 | 84,577 | 4,143,267 |
| Non-financial liabilities | - | - | - | - | - | 18,053 | 18,053 |
| Total liabilities | 1,716,360 | 464,033 | 750,923 | 272,152 | 855,222 | 102,630 | 4,161,320 |
| On-balance sheet interest rate repricing gap | 1,595,221 | (154,161) | (286,669) | (1,674) | (710,200) | (70,987) | 371,530 |
| Net derivative notional amount | (1,752,413) | 137,254 | 682,300 | 210,307 | 722,552 | - | - |
| Net interest rate repricing gap | (157,192) | (16,907) | 395,631 | 208,633 | 12,352 | (70,987) | 371,530 |

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

20. Liquidity and funding risk management

(a) Liquidity portfolio management

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

| <u>As at</u> | | Unaudited Note 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--|----|-------------------------------|--------------------------|------------------------|
| Cash and cash equivalents | | | | |
| Cash and balances with central banks | 6 | 609,798 | 542,247 | 372,436 |
| Due from other financial institutions (call or original maturity of 3 months or less) ¹ | 7 | 255,888 | 116,339 | 128,439 |
| Due from related parties ² | 16 | 347 | 589 | 953 |
| Total cash and cash equivalent | | 866,033 | 659,175 | 501,828 |
| Investment securities | | | | |
| Registered bank securities | 8 | 85,679 | 75,618 | 85,685 |
| Multilateral development banks and other international organisations | 8 | 136,370 | 242,377 | 247,334 |
| Government securities | 8 | 5,914 | 5,782 | 5,870 |
| Total investment securities | | 227,963 | 323,777 | 338,889 |
| Total liquidity portfolio | | 1,093,996 | 982,952 | 840,717 |

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

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

(b) Contractual maturity analysis of financial liabilities

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

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

| <u>As at 30 June 2024 (Unaudited)</u> | On demand | 0-3 months | 3-12 months | 1-5 years | Over 5 years | Total | Carrying amount |
|---|------------------|------------------|------------------|------------------|--------------|------------------|------------------|
| Non-derivative financial liabilities | | | | | | | |
| Due to other financial institutions | 2,300 | 1,068,793 | 593,504 | 239,025 | - | 1,903,622 | 1,872,661 |
| Deposits from customers | 31,812 | 157,423 | 254,132 | 26,967 | - | 470,334 | 457,976 |
| Debt securities issued | - | 89,529 | 124,749 | 753,106 | - | 967,384 | 860,165 |
| Due to related parties | - | 260,284 | 441,625 | 794,100 | - | 1,496,009 | 1,391,372 |
| Lease liabilities | - | 258 | 774 | 2,352 | 98 | 3,482 | 3,358 |
| Total non-derivative financial liabilities | 34,112 | 1,576,287 | 1,414,784 | 1,815,550 | 98 | 4,840,831 | 4,585,532 |
| Derivative financial liabilities | | | | | | | |
| Held for trading | - | - | - | 752 | - | 752 | - |
| Gross settled – cash inflow | - | (471,960) | (519,068) | (330,850) | - | (1,321,878) | - |
| Gross settled – cash outflow | - | 487,212 | 527,354 | 327,016 | - | 1,341,582 | - |
| Total derivative financial liabilities | - | 15,252 | 8,286 | (3,082) | - | 20,456 | 18,427 |
| Lending commitments (off-balance sheet) | 1,215,549 | - | - | - | - | 1,215,549 | - |

| As at 30 June 2023 (Unaudited) | On demand | 0-3 months | 3-12 months | 1-5 years | Over 5 years | Total | Carrying amount |
|---|------------------|-------------------|--------------------|------------------|---------------------|------------------|------------------------|
| Non-derivative financial liabilities | | | | | | | |
| Due to other financial institutions | - | 355,876 | 494,432 | 35,000 | - | 885,308 | 873,218 |
| Deposits from customers | 31,517 | 194,766 | 182,846 | 4,907 | 1,541 | 415,577 | 406,767 |
| Debt securities issued | - | 159,970 | 203,534 | 556,117 | - | 919,621 | 829,680 |
| Due to related parties | - | 891,590 | 235,059 | 874,379 | - | 2,001,028 | 1,872,441 |
| Subordinated debt | - | - | - | - | - | - | - |
| Lease liabilities | - | 257 | 773 | 3,296 | 187 | 4,513 | 4,305 |
| Total non-derivative financial liabilities | 31,517 | 1,602,459 | 1,116,644 | 1,473,699 | 1,728 | 4,226,047 | 3,986,411 |
| Derivative financial liabilities | | | | | | | |
| Held for trading | - | 634 | - | - | - | 634 | - |
| Gross settled – cash inflow | - | (692,081) | (141,888) | (1,017,499) | - | (1,851,468) | - |
| Gross settled – cash outflow | - | 721,647 | 168,555 | 1,008,606 | - | 1,898,808 | - |
| Total derivative financial liabilities | - | 30,200 | 26,667 | (8,893) | - | 47,974 | 40,681 |
| Lending commitments (off-balance sheet) | 1,231,690 | - | - | - | - | 1,231,690 | |
| As at 31 December 2023 (Audited) | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Due to other financial institutions | 320 | 435,557 | 613,285 | 239,299 | - | 1,288,461 | 1,249,195 |
| Deposits from customers | 39,001 | 266,244 | 187,856 | 26,284 | - | 519,385 | 509,320 |
| Debt securities issued | - | 181,946 | 239,934 | 548,700 | - | 970,580 | 872,408 |
| Due to related parties | - | 210,322 | 413,836 | 937,792 | - | 1,561,950 | 1,449,368 |
| Subordinated debt | - | - | - | - | - | - | - |
| Lease liabilities | - | 258 | 774 | 2,824 | 143 | 3,999 | 3,835 |
| Total non-derivative financial liabilities | 39,321 | 1,094,327 | 1,455,685 | 1,754,899 | 143 | 4,344,375 | 4,084,126 |
| Derivative financial liabilities | | | | | | | |
| Held for trading | - | - | - | 1,029 | - | 1,029 | - |
| Gross settled – cash inflow | - | (132,080) | (830,085) | (1,150,702) | - | (2,112,867) | - |
| Gross settled – cash outflow | - | 153,935 | 873,675 | 1,140,752 | - | 2,168,362 | - |
| Total derivative financial liabilities | - | 21,855 | 43,590 | (8,921) | - | 56,524 | 62,976 |
| Lending commitments (off-balance sheet) | 1,233,618 | - | - | - | - | 1,233,618 | |

21. Concentrations of funding

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

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

| <u>As at</u> | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|---|----------------------------------|----------------------------------|--------------------------------|
| Total funding comprises | | | |
| Due to other financial institutions | 1,872,661 | 873,218 | 1,249,195 |
| Deposits from customers | 457,976 | 406,767 | 509,320 |
| Debt securities issued | 860,165 | 829,680 | 872,408 |
| Due to related parties | 1,391,372 | 1,872,441 | 1,449,368 |
| Total funding | 4,582,174 | 3,982,106 | 4,080,291 |
| Concentration of funding by industry sector | | | |
| Accommodation and food services | 43,856 | 10,032 | 31,115 |
| Agriculture, forestry and fishing | 15,216 | 3,252 | 5,356 |
| Construction | 17,928 | 27,180 | 20,866 |
| Financial and insurance services | 2,934,829 | 1,859,169 | 2,303,076 |
| Households | 13,928 | 13,483 | 13,153 |
| Information media & telecommunications | 6,671 | - | - |
| Local government administration | - | 50,657 | 82,316 |
| Manufacturing | 280 | 1,636 | 548 |
| Other | 75,931 | 77,341 | 55,815 |
| Rental, hiring and real estate services | 21,703 | 6,379 | 27,261 |
| Retail trade | 162 | 248 | 156 |
| Transport, postal and warehousing | 60,242 | 60,228 | 90,596 |
| Wholesale trade | 56 | 60 | 665 |
| Subtotal | 3,190,802 | 2,109,665 | 2,630,923 |
| Due to related parties (including subordinated debt) | 1,391,372 | 1,872,441 | 1,449,368 |
| Total funding | 4,582,174 | 3,982,106 | 4,080,291 |
| Concentration of funding by geographic region ¹ | | | |
| New Zealand | 1,396,770 | 1,323,534 | 1,464,447 |
| Other countries | 3,185,404 | 2,658,572 | 2,615,844 |
| Total funding | 4,582,174 | 3,982,106 | 4,080,291 |

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

22. Capital adequacy

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

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

Capital management

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

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

The key features of the ICAAP and Internal Capital Assessment:

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

CCBNZL regulatory requirement

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

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

In December 2019, the RBNZ announced changes to capital prudential policy settings following the completion of the Capital Review. These changes are being implemented in stages through to 2028. The next scheduled change is set for 1 July 2024, when the minimum total capital requirement will increase from 8% to 9%, and the minimum Tier 1 capital requirement will rise from 6% to 7%. The revised framework requires CCBNZL, as a standardised registered bank, to increase its capital ratio to 16% by July 2028. CCBNZL does not expect the revised framework to result in any changes to the underlying business model or its approach to raising equity.

CCBNZL has complied with all the relevant RBNZ minimum capital ratios to which it was subject during the reporting period. CCBNZL's total capital ratio was 18.38% as at 30 June 2024 (30 June 2023: 18.65%, 31 December 2023: 19.44%).

Overseas Banking Group regulatory requirement

The Overseas Banking Group shall calculate and disclose capital adequacy ratios in accordance with the Rules on Capital Management of Commercial Banks. Based on the approval to implement the advanced capital measurement method granted in 2014, the former China Banking and Insurance Regulatory Commission (now NAFR) approved the Overseas Banking Group to expand the implementation scope of the advanced capital measurement method in April 2020. Pursuant to the regulatory requirements, the Overseas Banking Group calculates capital adequacy ratios using both the advanced approach and other approaches for capital measurement and complies with the relevant requirements for capital floors.

The CET1 ratio should be at or above a minimum of 5%, the Tier 1 ratio at or above a minimum of 6%, and the total capital ratio at or above a minimum of 8%. In addition to these requirements, banks must also meet the capital conservation buffer, counter-cyclical capital buffer, Global and Domestic Systemically Important Banks' additional buffer, and Pillar II capital requirements.

The Overseas Banking Group met the capital requirements imposed on them by the NAFR as at 31 March 2024.

This information is available via the Overseas Bank's website (www.ccb.com).

The capital ratios below have been calculated in accordance with the Rules on Capital Management of Commercial Banks, issued by the NAFR and have been taken from the most recent publicly available financial statements.

As at**Ultimate Parent Bank Group**

| | |
|------------------------------------|--|
| Common equity tier 1 capital ratio | |
| Tier 1 capital ratio | |
| Total capital ratio | |

| Unaudited 31 Mar 2024 | Unaudited 30 Jun 2023 | Unaudited 31 Dec 2023 |
|--------------------------|--------------------------|--------------------------|
| 14.11% | 12.75% | 13.15% |
| 15.04% | 13.39% | 14.04% |
| 19.34% | 17.40% | 17.95% |

As at**Ultimate Parent Bank**

| | |
|------------------------------------|--|
| Common equity tier 1 capital ratio | |
| Tier 1 capital ratio | |
| Total capital ratio | |

| 31 Dec 2023 | 31 Dec 2022 |
|-------------|-------------|
| 13.03% | 13.67% |
| 13.91% | 14.35% |
| 17.98% | 18.56% |

Capital instruments**Ordinary shares**

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

In relation to the ordinary shares:

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

Credit and market risk**Additional mortgage information****Residential mortgages by loan-to-valuation ratio**

| As at 30 June 2024 (Unaudited) | Does not exceed 80% | Exceeds 80% and not 90% | Exceeds 90% | Total |
|---|--------------------------------|--|------------------------|----------------|
| Loan-to-valuation ratio | | | | |
| On-balance sheet exposures | | | | |
| Residential mortgages - owner occupied | 432,512 | - | - | 432,512 |
| Residential mortgages - investment | 432,161 | - | - | 432,161 |
| Total on-balance sheet exposures | 864,673 | - | - | 864,673 |
| Off-balance sheet exposures | 15,872 | - | - | 15,872 |
| Value of exposures | 880,545 | - | - | 880,545 |

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

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

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

Reconciliation of residential mortgage related amount

| | Unaudited Note 30 Jun 2024 |
|---|---------------------------------------|
| Total residential mortgages | 9 871,457 |
| Reconciling items: | |
| Less: Provision for impairment losses on credit exposures | 17 A. (6,784) |
| On-balance sheet exposures | 17 A. 864,673 |
| Off-balance sheet exposures | 15,872 |
| Total residential mortgage exposures | 880,545 |

Market risk

| | End of period capital charge | | Peak end-of-day capital charge | |
|---------------------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|
| | Implied risk weighted exposure | Aggregate capital charge | Implied risk weighted exposure | Aggregate capital charge |
| As at 30 June 2024 (Unaudited) | | | | |
| Interest rate risk | 51,221 | 4,098 | 91,112 | 7,289 |
| Foreign currency risk | 2,352 | 188 | 4,671 | 374 |
| Total market risk | 53,573 | 4,286 | 95,783 | 7,663 |

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the six months ended 30 June 2024 of the aggregate capital charge at the close of each business day derived in accordance with Part A of BPR140: Market Risk.

Other Disclosures**23. Insurance business, securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products****Insurance**

The NZ Banking Group does not conduct any insurance business.

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

The NZ Banking Group is not involved in:

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

24. Commitments and contingent liabilities

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

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

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

| As at | Unaudited 30 Jun 2024 | Unaudited 30 Jun 2023 | Audited 31 Dec 2023 |
|--|----------------------------------|----------------------------------|--------------------------------|
| Credit related commitments and contingent liabilities | | | |
| Commitments to extend credit ¹ | 1,215,353 | 1,081,805 | 1,091,634 |
| Standby letters of credit | - | 147,735 | 141,788 |
| Non-financial guarantees | 196 | 2,150 | 196 |
| Total credit related commitments and contingent liabilities | 1,215,549 | 1,231,690 | 1,233,618 |

¹ Commitments to extend credit includes provision for off-balance sheet credit related business.

There were no other capital commitments and contingent liabilities as at 30 June 2024 (30 June 2023:nil, 31 December 2023: nil).

25. Events subsequent to the reporting date

No material impact on the NZ Banking Group is anticipated following the post balance date appointment of receivers over a corporate customer. There was no material event that occurred subsequent to the reporting date that requires recognition or additional disclosure in these financial statements.

26. Other material matters

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

27. Other information on the Overseas Banking Group

| As at | 31 March 2024 |
|---|-------------------------|
| Profitability | |
| Net profit after tax for the period ended 31 March 2024 | RMB 86,907 million |
| Net profit after tax for the 12 months ended 31 March 2024 as a % of average total assets | 0.86% |
| Size | |
| Total assets | RMB 39,729,281 million |
| % change in total assets from 31 March 2023 | 7.55% |
| As at | 31 December 2023 |
| Asset quality | |
| Total gross individually impaired assets | RMB 325,256 million |
| Total individually impaired assets as a % of total assets | 0.85% |
| Total individual credit impairment allowance | RMB 224,504 million |
| Total individual credit impairment allowance as a % of total gross individually impaired assets | 69.02% |
| Total collective impairment allowance | RMB 553,719 million |

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

28. Credit ratings of the Overseas Bank

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

| Rating agency | Credit rating | Qualification |
|------------------------------------|---------------|------------------|
| Standard & Poor's Ratings Services | A | Outlook Stable |
| Moody's Investors Service | A1 | Outlook Negative |
| Fitch Ratings | A | Outlook Negative |

On 16 April 2024, Fitch affirmed the Overseas Bank's A rating and adjusted the outlook from stable to negative.

29. Conditions of registration

The branch and CCBNZL have complied with all conditions of registration over the accounting period. There have been no changes to the conditions of registration between 1 January 2024 to 30 June 2024 for the branch.

Assurance engagements performed by Ernst & Young

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

Our assurance procedures consisted of the following:

- ▶ Limited assurance engagement in relation to the condensed interim financial statements (the “Interim Financial Statements”) of the Group for the six months ended 30 June 2024 that are required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) included on pages 6 to 35 of the Disclosure Statement. These pages also include the Supplementary Information, and the Credit and Market Risk Exposures and Capital Adequacy Information which are subject to separate conclusions as described below and so are not covered by the Interim Financial Statements assurance.
- ▶ Limited assurance engagement in relation to the information required by Clause 23 of the Order to be disclosed in accordance with Schedule 5 (being the “additional information on statement of financial position” that is presented on the balance sheet, “additional information on income statement” that is presented on the statement of comprehensive income and in Note 3, “additional information on concentrations of credit risk” (Note 18), “additional information on concentrations of funding” (Note 21), “additional information on interest rate sensitivity” (Note 19), “additional information on liquidity risk” (Note 20), “registered bank profitability and size” (Note 27) and reconciliation of mortgage-related amounts (Note 22)), Schedule 7 (Asset Quality in Notes 4 and 17), Schedule 12 (Insurance, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products in Note 23) and Schedule 14 (Risk Management Policies on page 19) of the Order (together the “Supplementary Information”). The Supplementary Information is presented for the six months ended 30 June 2024 or as at that date, as applicable.
- ▶ Limited assurance engagement in relation to the information required by Clause 23 of the Order to be disclosed in accordance with Schedule 9 of the Order which is disclosed in Note 22 (the “Credit and Market Risk Exposures and Capital Adequacy Information”). The Credit and Market Risk Exposures and Capital Adequacy Information is presented for the six months ended 30 June 2024 or as at that date, as applicable.

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

Report on the Interim Financial Statements and Supplementary Information

Conclusion

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

- ▶ the balance sheet of the Group as at 30 June 2024;
- ▶ the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended of the Group; and
- ▶ other explanatory information.

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

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

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



**Building a better
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Basis for conclusion

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

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

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

Directors' responsibilities for the Interim Financial Statements and Supplementary Information

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

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

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

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

- ▶ Interim Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- ▶ Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order:
 - ▶ does not present fairly, in all material respects, the matters to which it relates; or
 - ▶ is not disclosed, in all material respects, in accordance with those schedules; 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, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Statements and Supplementary Information.

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

Chartered Accountants
Auckland
28 August 2024

Independent Assurance Report to the Directors of China Construction Bank Corporation

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

Conclusion

We have undertaken a limited assurance engagement on the compliance, in all material respects, of the Group's Credit and Market Risk Exposures and Capital Adequacy Information for the six months ended 30 June 2024 or as at that date, as applicable, with Schedule 9 of the Order.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Credit and Market Risk Exposures and Capital Adequacy Information for the six months ended 30 June 2024 or as at that date, as applicable, disclosed in Note 22 to the Interim Financial Statements, is not disclosed, in all material respects, in accordance with Schedule 9 of the Order.

Basis for Conclusion

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

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

Directors' Responsibilities

The Directors of China Construction Bank Corporation are responsible for:

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

Our Independence and Quality Management

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

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Group's Credit and Market Risk Exposures and Capital Adequacy Information is not disclosed, in all material respects, in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Group's Credit and Market Risk Exposures and Capital Adequacy Information is not disclosed, in all material respects, in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with Schedule 9 of the Order is likely to arise.



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

- ▶ Obtained an understanding of the Group's compliance framework and internal control environment to meet the Credit and Market Risk Exposures and Capital Adequacy Information requirements in accordance with the Reserve Bank of New Zealand's (RBNZ) prudential requirements for banks.
- ▶ Obtained an understanding of the processes, models, data and internal controls implemented over the preparation of the Credit and Market Risk Exposures and Capital Adequacy Information.
- ▶ Agreed selected elements of the Credit and Market Risk Exposures and Capital Adequacy Information to information extracted from the Group's models, accounting records or other supporting documentation or, in relation to Clause 5 of Schedule 9 of the Order, publicly available information.
- ▶ Performed analytical and other procedures on the Credit and Market Risk Exposures and Capital Adequacy Information disclosed in accordance with Schedule 9 and considered its consistency with the Interim Financial Statements of the Group.
- ▶ Obtained an understanding and assessed the impact of any matters of non-compliance, advised to us or of which we otherwise became aware, with the RBNZ's prudential requirements for banks that relate to credit and market risk exposures and capital adequacy information and inspected relevant correspondence with RBNZ.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with Schedule 9 of the Order.

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

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected. A limited assurance engagement on the Group's disclosure of Credit and Market Risk Exposures and Capital Adequacy Information in the Disclosure Statement for the six months ended 30 June 2024 or as at that date, as applicable, does not provide assurance on whether compliance will continue in the future.

Restrictions on Use of Report

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

Chartered Accountants
Auckland
28 August 2024