



Kookmin Bank Auckland Branch
Disclosure Statement

For the six months ended

30 June 2023

Disclosure Statement
For the six months ended 30 June 2023

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The General Manager, Dohan Kim has been authorised to sign on behalf of each of the Directors, and on his own behalf has pleasure in presenting the Condensed Financial Statements and Disclosure Statement of Kookmin Bank – Auckland Branch For the six months ended 30 June 2023.



Dohan Kim

The Financial Statements and Disclosure Statement has been signed on behalf of each of the Directors of the Overseas Bank by Dohan Kim who also signs in his personal capacity as General Manager of Kookmin Bank – Auckland Branch.
29 August 2023

General Disclosures – Kookmin Bank Auckland Branch For six months ended 30 June 2023

1. Reporting Directive

This Disclosure Statement has been prepared under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended).

2. Branch

Name: Kookmin Bank Auckland Branch
Address for Service: Level 16, 88 Shortland Street
Auckland, New Zealand

For the purposes of the Registered Bank Disclosure Statement (Overseas Incorporated Registered Banks) Order 2014 (as amended), the "Branch" is currently the only entity within the Banking Group in New Zealand. ("NZ Banking Group")

3. Registered Bank and Overseas Bank

Name: Kookmin Bank
Address: 26, Gukjegeumyung-ro 8-gil,
Yeongdeungpo-gu, Seoul 07331, Republic of Korea

Kookmin Bank was established in 1963 under the Citizens National Bank Act in the Republic of Korea. Pursuant to the repeal of the Citizens National Bank Act in January 1995, Kookmin Bank has conducted its operations in accordance with the provisions of the General Banking Act in the Republic of Korea.

4. Ultimate Parent Bank

Name: Kookmin Bank
Address: 26, Gukjegeumyung-ro 8-gil,
Yeongdeungpo-gu, Seoul 07331, Republic of Korea

5. Ultimate Holding Company

Name: KB Financial Group Inc.
Address: 26, Gukjegeumyung-ro 8-gil,
Yeongdeungpo-gu, Seoul 07331, Republic of Korea

6. Ranking of local creditors in a winding up

There are no material legislative or regulatory restrictions in the Overseas Bank's country of incorporation, the Republic of Korea, which subordinate any claims of any class of unsecured creditors of the Branch on the assets of the Overseas Bank to those of any other class of unsecured creditors of the Overseas Bank, in a winding up of the Overseas Bank, other than as set out in section 8 below. In the event of the liquidation of Kookmin Bank Auckland Branch, claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors

7. Holding excess of assets

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

8. Reserves of deposit liabilities of Korea

The Overseas Bank is required by Clause 2 of Article 28, Section 3 of the Bank of Korea Act to maintain reserves in an account with the Reserve Bank of Korea, to cover ongoing obligations to pay deposit liabilities in Korea, as follows:

- (a) reserves equivalent to at least 2 percent of the aggregate value of all term account deposits, instalment savings account deposits and cheque account deposits in Korea; plus
- (b) reserves equivalent to at least 7 percent of the aggregate value of all other deposits in Korea.

These requirements have the potential to impact on the management of the liquidity of the New Zealand business of the Overseas Bank.

**General Disclosures – Kookmin Bank Auckland Branch
For six months ended 30 June 2023**

9. Guarantee Arrangements

No material obligations of the Registered Bank are guaranteed.

10. Responsible person of the Branch

Name: Dohan Kim
Occupation: General Manager of Kookmin Bank Auckland Branch
Country of Residence: New Zealand
Technical or professional qualification: B.A. in Public Administration

Communication addressed to the Responsible Person may be sent to:

C/- Kookmin Bank Auckland Branch
P O Box 7506
Victoria Street West
Auckland New Zealand

11. Directors of the Overseas Bank

Communication addressed to the Directors and New Zealand Chief Executive Officer may be sent to:

C/- Kookmin Bank Auckland Branch
P O Box 7506
Victoria Street West
Auckland New Zealand

The General Manager has signed this Disclosure Statement on his behalf and on behalf of the Directors of the Kookmin Bank, being:

Executive Directors

Name	Occupation	Qualification	External Directorship
Jae Keun Lee	CEO	M.B.A.	KB Financial Group Inc.
Yeong Gi Kim	Chief Audit Executive	Ph. D. in Business Administration	-
Chai Hyun Sung	Executive Director	B.A. in Accounting.	-

Woon Tae Kim resigned on 31st December of 2022

Independent Directors

Name	Occupation	Qualification	External Directorship
Byung Hwan Son	Visiting Fellow, Korea Institute of Finance	Master of Agricultural Education	-
Sue Bok Moon	Professor, KAIST University	Ph.D. in Computer Science	-
Gang Hyeon An	Professor, Yonsei University	Ph.D. in Law	-
Yong Keun Yoo	Professor, Korea University	Ph.D. in Accounting	-
Tae-Jong Seo	President, Korea Banking Institute	Master of Public Administration	-

All Directors reside in the Republic of Korea.

Seung Tae Lim resigned 23rd March of 2023.

**General Disclosures – Kookmin Bank Auckland Branch
For six months ended 30 June 2023**

Audit Committee

Name	Occupation	Qualification	External Directorship
Tae-Jong Seo	President, Korea Banking Institute	Master of Public Administration	-
Yong Keun Yoo	Professor, Korea University	Ph.D. in Accounting	-
Yeong Gi Kim	Chief Audit Executive	Ph. D. in Business Administration	-

Gang Hyeon An resigned on 23rd March of 2023

The Committee is comprised of three members of which two of the members are independent. Kookmin Bank Audit Committee (hereinafter referred to as the Audit Committee) enhances corporate value and protects the interests of shareholders and customers.

In order to evaluate the appropriateness of the internal control system, the efficiency of the business execution process, and the reliability of financial information, the Audit Committee checks the management activities of the management from an objective and independent perspective.

In addition, the Audit Committee performs its duties independently from the voting and enforcement bodies within the Overseas Bank. To prevent the conflict of interest, the Overseas Bank has established and operates a conflict of interest prevention system, such as the Audit Committee members cannot conduct transactions that are classified as company's business by self or third party unless approved by the Board of Directors

12. Auditors of the Disclosure Statement

Name: KPMG New Zealand
Address for service: 18 Viaduct Harbour Avenue,
Auckland Central
Auckland 1010

**General Disclosures – Kookmin Bank Auckland Branch
For six months ended 30 June 2023**

13. Conditions of Registration for Kookmin Bank in New Zealand

These conditions of registration apply on and after 1 June 2023.

The registration of Kookmin Bank (“the registered bank”) in New Zealand is subject to the following conditions:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities. In this condition of registration, the meaning of “material” is based on generally accepted accounting practice.
2. That the banking group’s insurance business is not greater than 1% of its total consolidated assets.

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

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

In determining the total amount of the banking group’s insurance business

- (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,

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

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

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.
4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
 - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
5. That Kookmin Bank complies with the requirements imposed on it by the Financial Supervisory Service of Korea.
6. That, with reference to the following table, each capital adequacy ratio of Kookmin Bank must be equal to or greater than the applicable minimum requirement.

Capital adequacy ratio	Minimum requirement on and after 1 January 2015
Common Equity Tier 1 capital	4.5 percent
Tier 1 capital	6 percent
Total capital	8 percent

General Disclosures – Kookmin Bank Auckland Branch For six months ended 30 June 2023

For the purposes of this condition of registration, the capital adequacy ratios:

- (a) must be calculated as a percentage of the registered bank's risk weighted exposures; and
 - (b) are otherwise as administered by the Financial Supervisory Service of Korea.
7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$15 billion.
 8. That, for a loan-to-valuation measurement period ending on or after 30 November 2023, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 65%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
 9. That, for a loan-to-valuation measurement period ending on or after 30 November 2023, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
 10. That the business of the registered bank in New Zealand must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,

"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013.

"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013.

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

"liabilities of the registered bank in New Zealand" means the liabilities that the registered bank would be required to report in financial statements for its New Zealand business if section 461B(1) of the Financial Markets Conduct Act 2013 applied.

In these conditions of registration 8 to 10,

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021, and where the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents referred to in BS19 for the purpose of defining these terms are

BPR document	Version date
BPR131: Standardised credit risk RWAs	1 October 2021
BPR001: Glossary	1 July 2021

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

14. Changes of condition of registration

The conditions of registration were amended effective 1 June 2023 to amend condition 8 and condition 9. The Reserve Bank revised the loan-to-valuation measurement period and the limit ratio for loans with LVR. The condition 10 in respect of non property-investment residential mortgage loans was deleted.

**General Disclosures – Kookmin Bank Auckland Branch
For six months ended 30 June 2023**

15. Credit Ratings

Current credit ratings of the Overseas Bank for long-term debt remain unchanged and are as follows:

Rating Agency	Current Rating	Outlook	(If changed in the previous two years)	
			Rating Date	Previous Rating
Moody's Investor Service	Aa3	Stable	17 December 2018	Not changed
Standard and Poor's	A+	Stable	8 August 2016	Not changed
Fitch	A	Stable	29 July 2021	Not changed

16. Other Material Matters

The financial information in the Disclosure Statement in regard to the Overseas Bank and its Overseas Banking Group has been prepared under generally accepted accounting practices of Republic of Korea, and in accordance with the requirements of the Financial Supervisory Service (FSS) of the Republic of Korea. The standards, procedures and practices utilised to audit the financial statements of the Overseas Bank and its Overseas Banking Group, are those generally accepted and applied in the Republic of Korea. The generally accepted accounting practice, requirements of the FSS and audit standards applied therein may differ to those applied in New Zealand. The financial statements of the Branch are in compliance with New Zealand Equivalents to International Financial Reporting Standards.

17. Interim financial reporting

The condensed financial statements included in this Disclosure Statement have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*. These condensed financial statements also comply with IAS 34.

These condensed financial statements should be read in conjunction with the full reporting Disclosure Statement as at 31 December 2022.

18. Financial Statements of the Overseas Bank and Overseas Banking Group

A copy of the most recent publicly available financial statements of the Registered Bank and its Overseas Banking Group will be provided immediately at no charge, to any person requesting a copy where the request is made at NZ Banking Group's head office. The financial statements can be accessed through the Kookmin Bank website at <https://www.kbstar.com>.

**General Disclosures – Kookmin Bank Auckland Branch
For six months ended 30 June 2023**

The Directors' and Chief Executive Officer Statement

Each Director of the Overseas Bank and the General Manager of the Branch, believes, after due enquiry, that: as at the date on which this Disclosure Statement is signed:

1. The Disclosure Statement contains all the information that is required by the Overseas Bank Disclosure Statements (Overseas Incorporated Overseas Banks) Order 2014 (as amended); and
2. The Disclosure Statement is not false or misleading.

Each Director of the Overseas Bank and the General Manager of the Branch believes, after due enquiry by them, that over the six months ended 30 June 2023:

1. The Overseas Bank has complied with all conditions of registration that applied during that period; and
2. The Branch 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, and other business risks, and that those systems were being properly applied. Kookmin Bank Auckland Branch has no capital as being an Overseas branch and the ratio is based on Overseas Banking Groups capital and is complied with Condition of registration.

Signed for and behalf of the directors of the Overseas Bank:



Dohan Kim

The financial Statements and Disclosure Statement has been signed on behalf of each of the Directors of the Overseas Bank by Dohan Kim who also signs in his personal capacity as General Manager of Kookmin Bank Auckland Branch.

29 August 2023



Independent Review Report

To the Directors of Kookmin Bank Auckland Branch - the New Zealand branch

Report on the half year disclosure statement

Conclusion

Based on our review of the condensed interim financial statements and supplementary information of the Kookmin Bank Auckland Branch (the "Branch") on pages 14 to 39, nothing has come to our attention that causes us to believe that the condensed interim financial statements (excluding the supplementary information disclosed in accordance with Schedules 5, 7, 12 and 14 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order")), have not been prepared, in all material respects, with NZ IAS 34 Interim Financial Reporting ("NZ IAS 34").

In our opinion, nothing has come to our attention that causes us to believe that the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order and is included within notes 18, 19, 20, 22, 23, 24, 27, 28 and 29 of the condensed interim financial statements:

- i. does not present fairly, in all material respects, the matters to which it relates;
- ii. is not disclosed, in all material respects, in accordance with those schedules;
- iii. has not been prepared, in all material respects, in accordance with any condition of registration relating to disclosure requirements, imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

We have completed a review of the accompanying half year disclosure statement which comprises:

- the condensed interim financial statements formed of:
 - the condensed statement of financial position as at 30 June 2023;
 - the condensed statements of comprehensive income, changes in head office account and cash flows for the six-month period then ended; and
 - notes, including a summary of significant accounting policies and other explanatory information.
- the supplementary information prescribed in Schedules 5, 7, 12 and 14 of the Order.

Basis for conclusion

A review of the half year disclosure statement in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Kookmin Bank Auckland Branch, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the Branch in relation to statutory audit services. Subject to certain restrictions, partners and employees of our firm may also deal with the Branch on normal terms within the ordinary course of trading activities of the business of the Branch. These matters have not impaired our independence as reviewer of the Branch. The firm has no other relationship with, or interest in, the Branch.

Use of this independent review report

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

Responsibilities of the Directors for the half year disclosure statement

The Directors, on behalf of the Branch, are responsible for:

- the preparation and fair presentation of the half year disclosure statement in accordance with NZ IAS 34 and Schedules 3, 5, 7, 12 and 14 of the Order;
 - implementing necessary internal control to enable the preparation of a half year disclosure statement that is fairly presented and free from material misstatement, whether due to fraud or error; and
 - assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.
-

Auditor's responsibilities for the review of the half year disclosure statement

Our responsibility is to express a conclusion on the half year disclosure statement based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the:



- the condensed interim financial statements do not present fairly in all material respects the Branch's financial position as at 30 June 2023 and its financial performance and cash flows for the 6 month period ended on that date;
- the condensed interim financial statements do not, in all material respects, comply with NZ IAS 34;
- the supplementary information does not, fairly state, in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order; and

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). Accordingly we do not express an audit opinion on the half year disclosure statement.

A handwritten signature in blue ink, appearing to read 'KPMG'.

KPMG
Auckland

29 August 2023



Independent Limited Assurance Report to the directors of Kookmin Bank Auckland Branch - the New Zealand branch

Conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Based on our limited assurance conclusion, which is not a reasonable assurance engagement or audit, nothing has come to our attention that would lead us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, disclosed in notes 24, 25 and 26 to the disclosure statement, is not, in all material respects disclosed in accordance with Schedule 9 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

We have reviewed the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, as disclosed in notes 24, 25 and 26 of the disclosure statement for the six-month period ended 30 June 2023. The supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.

Standards we followed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements is free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

How to interpret limited assurance and material misstatement and non-compliance

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 misstatement and non-compliance with Schedule 9 of the Order is likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, within the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements and non-compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A limited assurance engagement for the six-month period ended 30 June 2023 does not provide assurance on whether compliance with the with Schedule 9 of the Order will continue in the future.

Restriction of distribution and use

Our report is made solely for Kookmin Bank Auckland Branch. Our assurance work has been undertaken so that we might state to Kookmin Bank Auckland Branch those matters we are required to state to them in the assurance report and for no other purpose. We consent to the Reserve Bank of New Zealand ("RBNZ") receiving a copy of our report. No other third party is intended to receive our report.

Our report should not be regarded as suitable to be used or relied on by any third parties other than Kookmin Bank Auckland Branch and the RBNZ ("Recipients") for any purpose or in any context. Any other party who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

Our report is released to the Recipients on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to any party other than Kookmin Bank Auckland Branch for our work, for this independent limited assurance report, and/or for the conclusions we have reached.

Director's responsibility for the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

The Directors are responsible for the preparation of supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is required to be disclosed in accordance with Schedule 9 of the Order, which the Directors have determined to meet the needs of the recipients. This responsibility includes such internal control as the Directors determine is necessary to enable the preparation of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is free from material misstatement and non-compliance whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion to Kookmin Bank Auckland Branch on whether anything has come to our attention that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements has not, in all material respects, been prepared in accordance with Schedule 9 of the Order for the six-month period ended 30 June 2023.

Our independence and quality control

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

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided other services in relation to statutory audit services. Subject to certain restrictions, partners and employees of our firm may also deal with Kookmin Bank Auckland Branch on normal terms within the ordinary course of trading activities of the business of Kookmin Bank Auckland Branch. These matters have not impaired our independence as assurance providers of the Kookmin Bank Auckland Branch for this engagement. The firm has no other relationship with, or interest in, the Kookmin Bank Auckland Branch.



KPMG

29 August 2023

Condensed Financial Statements – Kookmin Bank Auckland Branch

Condensed Statement of Comprehensive Income

For the six months ended 30 June 2023

	Note	(Unaudited) 6 months ended 30 June 2023 (\$)	(Unaudited) 6 months ended 30 June 2022 (\$)	(Audited) 12 months ended 31 December 2022 (\$)
Interest revenue	30	25,406,617	1,270,208	21,452,122
Interest expense		(18,010,414)	(3,960,414)	(16,436,933)
Net interest income (expense)		7,396,203	(2,690,206)	5,015,189
Fee and commission revenue	30	525,063	180,293	615,153
Fee and commission expense		(61,407)	(62,906)	(37,757)
Net fee and commission income		463,656	117,387	577,396
Realised and unrealised gain on financial assets at fair value through profit or loss	2	473,187	-	-
Other operating income	3	135,663	392,178	413,996
Total Operating income		8,468,709	(2,180,641)	6,006,581
Impairment recoveries (losses) on loans and advances		(355,590)	(376,523)	(228,575)
Administrative expenses		(2,179,467)	(2,373,937)	(4,946,552)
Other operating expenses		(756,147)	(501,335)	(468,459)
Net profit (loss) before tax		5,177,505	(5,432,436)	362,995
Income tax benefit (expense)	5	(1,449,701)	1,444,082	(219,439)
Profit (loss) after income tax attributable to Head Office		3,727,804	(3,988,354)	143,556
Other comprehensive income, net of tax		-	-	-
Total Comprehensive income (loss) attributable to Head Office	4	3,727,804	(3,988,354)	143,556

The accompanying notes on page 19 to 39 form part of these condensed financial statements

Condensed Financial Statements – Kookmin Bank Auckland Branch

Condensed Statement of Changes in Head Office Account

For the six months ended 30 June 2023

	Note	(Unaudited) 6 months ended 30 June 2023 (\$)	(Unaudited) 6 months ended 30 June 2022 (\$)	(Audited) 12 months ended 31 December 2022 (\$)
Head Office account at beginning of the period as previously reported		3,616,916	11,651,926	11,651,926
Profit / (loss) for the period		3,727,804	(3,988,354)	143,556
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income (loss) for the period		3,727,804	(3,988,354)	143,556
Other movement				
Amount reimbursed from (repatriated to) Head Office	6	292,122	(8,178,566)	(8,178,566)
Head Office account at end of the period		7,636,842	(514,994)	3,616,916

The accompanying notes on page 19 to 39 form part of these condensed financial statements

Condensed Financial Statements – Kookmin Bank Auckland Branch

Condensed Statement of Financial Position

As at 30 June 2023

	Note	(Unaudited) 30 June 2023 (\$)	(Unaudited) 30 June 2022 (\$)	(Audited) 31 December 2022 (\$)
ASSETS				
Cash and cash equivalents		202,011,498	7,718,245	56,520,848
Due from other banks		-	9,000,444	-
Loans and advances to customers	8	523,895,180	585,292,417	584,138,826
Due from related parties	9	109,738,996	234,116,682	181,338,769
Derivative financial assets	9,21	469,299	-	-
Other assets		17,719	10,800	26,640
Property and equipment		1,342,354	1,520,847	1,401,105
Right-of-use assets		1,815,615	2,130,134	1,995,979
Current tax assets		-	2,568,281	-
Deferred tax assets		3,663,121	500,753	3,556,398
Intangible assets		8,511	-	-
Total assets		842,962,293	842,858,603	828,978,565
LIABILITIES				
Due to other banks	19	304,061,990	247,524,998	250,850,552
Deposit from customers	10	206,207,561	227,765,730	209,395,698
Due to related parties	9	309,905,187	353,497,301	349,356,161
Current tax liabilities		368,815	-	908,688
Provisions	11	11,191,345	11,257,422	11,191,345
Other liabilities		1,466,409	879,891	1,345,772
Lease liabilities	16	2,124,144	2,448,255	2,313,433
Total liabilities		835,325,451	843,373,597	825,361,649
Equity				
Head Office account		7,636,842	(514,994)	3,616,916
Total equity and liabilities		842,962,293	842,858,603	828,978,565
Additional disclosures				
Total interest earning and discount bearing assets	17	830,715,174	829,116,184	766,038,727
Total interest and discount bearing liabilities	17	820,133,879	828,748,163	809,562,062
Total liabilities net of amounts due to related	17	525,420,264	489,876,295	476,005,488

No assets presented in the Condensed Statement of Financial Position have been used to secure any obligations.

The accompanying notes on page 19 to 39 form part of these condensed financial statements

Condensed Financial Statements – Kookmin Bank Auckland Branch

Condensed Statement of Cash Flows

For the six months ended 30 June 2023

	<i>(Unaudited)</i> 6 months ended 30 June 2023	<i>(Unaudited)</i> 6 months ended 30 June 2022	<i>(Audited)</i> 12 months ended 31 December 2022
<i>Note</i>	(\$)	(\$)	(\$)
<i>Cash flows from operating activities</i>			
Interest received	25,695,675	11,484,802	30,001,453
Other income received	1,066,303	664,760	1,106,676
Interest paid	(14,733,021)	(2,273,453)	(8,764,683)
Interest portion of lease liability	(15,867)	(17,739)	(38,515)
Other operating expenses	(2,064,317)	(2,296,774)	(4,280,777)
Lease liabilities – Short term and low value	-	-	-
Taxation paid	(2,096,297)	(3,224,848)	(4,467,045)
Cash flows from operating activities before changes in operating assets and liabilities	7,852,476	4,336,748	13,557,109
Net increase in loans advanced to customers	60,156,297	(86,280,331)	(84,331,651)
Net increase/(decrease) in due to other banks	52,090,275	35,622,805	36,265,847
Net increase in deposits from customers	(4,050,948)	(10,937,496)	(30,172,118)
Cash flows from operating assets and liabilities	108,195,624	(61,595,022)	(78,237,922)
Net cash flows from/(used in) operating activities	4 116,048,100	(57,258,274)	(64,680,813)
<i>Cash flows from investing activities</i>			
Purchase of property and equipment	(31,180)	-	-
Purchase of intangible assets	(9,078)	-	-
Deposit paid for right-of-use asset	-	-	-
Net cash flows from investing activities	(40,258)	-	-
<i>Cash flows from financing activities</i>			
Advances from/(Advance to) Head office	70,577,856	(22,569,303)	31,426,886
Amounts received from /(paid to) Head office	(40,736,140)	78,999,581	72,441,259
Lease liability principal	(189,289)	(165,024)	(346,687)
Remittance from /(Repatriation to) head office	6 292,122	(8,178,566)	(8,178,566)
Net cash flows from financing activities	29,944,549	48,086,688	95,342,892
Net (decrease)/increase in cash and cash equivalents	145,952,391	(9,171,586)	30,662,079
Cash and cash equivalents at the beginning of the year	56,520,848	25,775,974	25,775,974
Effect of exchange rate changes on cash and cash equivalents	(461,741)	114,301	82,795
Cash and cash equivalents at the end of the year	202,011,498	16,718,689	56,520,848

The accompanying notes on page 19 to 39 form part of these condensed financial statements

Condensed Financial Statements – Kookmin Bank Auckland Branch

Condensed Statement of Cash Flows (continued)

For the six months ended 30 June 2023

	<i>(Unaudited)</i> 6 months ended 30 June 2023 (\$)	<i>(Unaudited)</i> 6 months ended 30 June 2022 (\$)	<i>(Audited)</i> 12 months ended 31 December 2022 (\$)
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Analysis of cash and cash equivalents

Cash and demand balances with other banks	202,011,498	7,718,245	56,520,848
Due from other banks	-	9,000,444	-
	202,011,498	16,718,689	56,520,848

Notes to the condensed financial statements

For the six months ended 30 June 2023

1. Statement of Accounting Policies

The reporting entity is Kookmin Bank Auckland Branch (the “Branch”), a branch of Kookmin Bank (the “Overseas Bank”). These condensed financial statements have been drawn up in accordance with the requirements of the Overseas Bank Disclosure Statements (Overseas Incorporated Overseas Banks) Order 2014 (as amended). These condensed financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. These condensed financial statements also comply with IAS 34 Interim Financial Reporting.

These condensed financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”) as appropriate for for-profit entities.

These condensed financial statements were authorised for issue by the General Manager on behalf of all the Directors on 29 August 2023.

Changes in accounting policy and disclosure

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss

This Disclosure Statement has been prepared under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended)

There were no changes in accounting policies and methods in the period to 30 June 2023.

2. Realised and unrealised gain on financial assets at fair value through profit or loss

	<i>(Unaudited)</i> 6 months ended 30 June 2023 (\$)	<i>(Unaudited)</i> 6 months ended 30 June 2022 (\$)	<i>(Audited)</i> 12 months ended 31 December 2022 (\$)
Realised and unrealised gain on financial instruments			
Realised gain on financial assets at fair value through profit or loss	3,888	-	-
Unrealised gain on financial assets at fair value through profit or loss	469,299		
	473,187	-	-

3. Other operating income

	<i>(Unaudited)</i> 6 months ended 30 June 2023 (\$)	<i>(Unaudited)</i> 6 months ended 30 June 2022 (\$)	<i>(Audited)</i> 12 months ended 31 December 2022 (\$)
Gain on Foreign Exchange rate change	120,913	132,977	119,194
Other Revenues and Gains	14,750	259,201	294,802
	135,663	392,178	413,996

Condensed Financial Statements – Kookmin Bank Auckland Branch

4. Reconciliation of profit after income tax to net cash flows from operating activities

	<i>(Unaudited)</i> 6 months ended 30 June 2023 (\$)	<i>(Unaudited)</i> 6 months ended 30 June 2022 (\$)	<i>(Audited)</i> 12 months ended 31 December 2022 (\$)
Profit after income tax for the period	3,727,804	(3,988,354)	143,556
Add: Non-cash items			
Unrealised foreign exchange (gain)	461,741	(114,301)	(82,795)
Loss on sale of property and equipment	-	-	-
Leased assets	-	-	-
Depreciation	270,863	286,153	586,889
Change in loan impairment provision	350,907	374,084	228,575
Change in provision for unused commitment	4,801	2,058	(393)
Change in provision for guarantee	(118)	381	15
	1,088,194	548,375	732,291
Add: Movements in statement of financial position items			
Movement in interest accruals	3,603,885	1,288,985	5,350,766
Movement in operating expense accruals	79,189	61,575	549,082
Movement in remediation provision	-	11,095,097	11,029,020
Movement in current tax assets/liabilities	(539,873)	(4,551,322)	(1,074,353)
Movement in deferred tax	(106,723)	(117,608)	(3,173,253)
Movement in loans and advances to customers	60,156,297	(86,280,331)	(84,331,651)
Movement in amounts due to other banks	52,090,275	35,622,805	36,265,847
Movement in deposits from customers	(4,050,948)	(10,937,496)	(30,172,118)
	111,232,102	(53,818,295)	(65,556,660)
Net cash flows from operating activities	116,048,100	(57,258,274)	(64,680,813)

5. Income tax expense

	<i>(Unaudited)</i> 6 months ended 30 June 2023 (\$)	<i>(Unaudited)</i> 6 months ended 30 June 2022 (\$)	<i>(Audited)</i> 12 months ended 31 December 2022 (\$)
Recognised in the Statement of Comprehensive Income			
Current taxation	1,556,424	(1,326,474)	3,392,692
Deferred taxation			
Origination and reversal of temporary differences	(106,723)	(117,608)	(3,173,253)
Total income tax expense (benefit) in Statement of Comprehensive Income	1,449,701	(1,444,082)	219,439

	<i>(Unaudited)</i> 6 months ended 30 June 2023 (\$)	<i>(Unaudited)</i> 6 months ended 30 June 2022 (\$)	<i>(Audited)</i> 12 months ended 31 December 2022 (\$)
Reconciliation of effective tax rate			
Profit / (loss) before tax	5,177,505	(5,432,436)	362,995
Income tax using the domestic corporation rate	1,449,701	(1,521,082)	101,639
Tax effect of non-deductible expenses	-	77,000	117,800
Over accrual in prior years	-	-	-
Total income tax expense (benefit) in Statement of Comprehensive Income	1,449,701	(1,444,082)	219,439
Effective tax rate	28.0%	26.6%	60.5%

The relevant domestic corporate rate is 28%.

6. Repatriation of funds to Head Office

During the interim period, the Head office reimbursed \$292,122 to the Branch. (6 months ended 30 June 2022: \$8,178,566 repatriated to the Head office, 12 months ended 31 December 2022: \$8,178,566 repatriated to the Head office).

7. Segment information

The Branch operates predominantly in the Financial Services industry within New Zealand.

Condensed Financial Statements – Kookmin Bank Auckland Branch

8. Loans and advances to customers

Loans and advances to customers at amortised cost

	<i>(Unaudited)</i> 30 June 2023			<i>(Unaudited)</i> 30 June 2022			<i>(Audited)</i> 31 December 2022		
	Gross Amount (\$)	Impairment Allowance (\$)	Carrying Value (\$)	Gross Amount (\$)	Impairment Allowance (\$)	Carrying Value (\$)	Gross Amount (\$)	Impairment Allowance (\$)	Carrying Value (\$)
Current assets									
Residential Mortgage	145,902,369	(19,771)	145,882,598	186,407,895	(18,860)	186,389,035	159,829,524	(12,230)	159,817,294
Corporate	365,175,182	(874,972)	364,300,210	335,274,900	(658,190)	334,616,710	378,679,407	(546,804)	378,132,603
Other retail	9	-	9	5	-	5	8	-	8
	511,077,560	(894,743)	510,182,817	521,682,800	(677,050)	521,005,750	538,508,939	(559,034)	537,949,905
Non current assets									
Residential Mortgage	1,393,021	(300)	1,392,721	3,458,905	(629)	3,458,276	1,403,590	(92)	1,403,498
Corporate	12,336,639	(16,997)	12,319,642	60,857,353	(28,962)	60,828,391	44,787,429	(2,006)	44,785,423
Other retail	-	-	-	-	-	-	-	-	-
	13,729,660	(17,297)	13,712,363	64,316,258	(29,591)	64,286,667	46,191,019	(2,098)	46,188,921
	524,807,220	(912,040)	523,895,180	585,999,058	(706,641)	585,292,417	584,699,958	(561,132)	584,138,826

9. Related party transactions

Identity of related parties

The Branch has related party transactions with its immediate parent, Kookmin Bank (the Overseas Bank).

During the period ended 30 June 2023, the Branch has entered into, or had in place, various financial transactions with the Overseas Banking Group. The Overseas Banking Group provides administrative functions to the Branch for which no payments have been made (30 June 2022: \$ nil, 31 December 2022: \$ nil). In all other cases, arrangements with the Overseas Banking Group were conducted on normal commercial terms. The Branch uses the market rate of interest for similar banks for all loans with related parties. All loans and borrowings from related parties are not secured and rates of interest paid to Head Office are set by the Overseas Bank.

Derivative instruments with related parties are used to manage currency exposures and include foreign exchange forwards.

Transactions with related entities

The Branch received interest revenue of \$5,695,990 from the Overseas Bank for related party receivables (30 June 2022: \$785,226, 31 December 2022: \$4,775,056).

The Branch paid interest expense of \$9,023,786 to the Overseas Bank for related party payables (30 June 2022: \$1,716,588, 31 December 2022: \$7,904,623).

The Branch received commission on banker's acceptance transactions from the Overseas Bank of \$166,170 (30 June 2022: \$130,898, 31 December 2022: \$254,112).

The Branch paid \$173,493 to the Overseas Bank for Insurance on Deposit (30 June 2022: \$198,368, 31 December 2022: \$418,563).

The Branch's net profit on derivative financial assets and liabilities with the Overseas Bank for foreign exchange forward is \$473,187 (30 June 2022: \$ nil, 31 December 2022: \$nil).

The Overseas Bank reimbursed \$292,122 to the Branch (31 December 2022: repatriated profits of \$8,178,566).

No amounts owed by related parties have been written off or forgiven during the period.

Balances with related entities

At 30 June 2023, the Branch has \$109,738,996 due from the Overseas Bank for short term advances (30 June 2022: \$234,116,682, 31 December 2022: \$181,338,769).

At 30 June 2023, the Branch has \$309,905,187 due to the Overseas Bank for funding purposes (30 June 2022: \$353,497,301, 31 December 2022: \$349,356,161).

At 30 June 2023, the Branch has \$469,299 of the fair value on derivative financial assets of foreign exchange forward with Overseas Bank for trading (30 June 2022: \$ nil, 31 December 2022: \$ nil).

Off Balances with related entities

At 30 June 2023, the Branch has derivatives instruments with the Overseas Bank for foreign exchange forwards. The forwards will be paid or received on a notional principal amount at a future date. The received notional amounts is USD \$20,000,000 (30 June 2022: \$ nil, 31 December 2022: \$ nil). The paid notional amounts is NZD \$32,411,913 (30 June 2022: \$ nil, 31 December 2022: \$ nil).

Key management personnel compensation

Key management personnel are those persons (including directors) having authority and responsibility for planning, directing and controlling the activities of the Branch. All key management personnel are employed by the Overseas Bank. The Branch provided \$163,745 (30 June 2022 : \$213,347, 31 December 2022 : \$444,488) of short-term employment benefits to key management personnel. No other benefits were paid to key management personnel.

Condensed Financial Statements – Kookmin Bank Auckland Branch

10. Deposits from customers

	<i>(Unaudited)</i> As at 30 June 2023 (\$)	<i>(Unaudited)</i> As at 30 June 2022 (\$)	<i>(Audited)</i> As at 31 December 2022 (\$)
Current liabilities			
Retail customers			
- Term deposits	122,629,969	148,778,322	142,847,021
- Current deposits	21,433,344	34,555,508	15,353,875
- Installment deposits	414,152	649,526	327,347
Commercial customers			
- Term deposits	22,467,916	12,368,800	18,373,541
- Current deposits	25,835,678	29,119,839	27,939,686
- Installment deposits	27,594	13,698	10,678
	192,808,653	225,485,693	204,852,148
Non current liabilities			
Retail customers			
- Term deposits	13,297,010	2,242,009	959,015
- Installment deposits	101,898	38,028	71,830
Commercial customers			
- Term deposits	-	-	3,512,705
- Installments deposits	-	-	-
	13,398,908	2,280,037	4,543,550
Total Deposits	206,207,561	227,765,730	209,395,698

11. Provisions

	<i>(Unaudited)</i> As at 30 June 2023 (\$)	<i>(Unaudited)</i> As at 30 June 2022 (\$)	<i>(Audited)</i> As at 31 December 2022 (\$)
Balance at beginning of the period	11,191,345	162,325	162,325
Provisions made during the period	-	11,095,097	11,029,020
Provisions used during the period	-	-	-
Provisions reversed during the period	-	-	-
Balance at end of the period	11,191,345	11,257,422	11,191,345

The provision for \$162,325 represents the Branch's obligation to refit the New Zealand office at the expiration of the lease term. This provision is based on management's best estimate to comply with the lease make good obligation.

During the prior year 31 December 2022, the Commerce Commission's investigation of the Branch's compliance with the Credit Contract and Consumer Finance Act (CCCFA), particularly around its initial disclosure obligations, was completed. Where relevant, legal advice has been obtained and, in the light of such advice, provision of \$11,029,020 for remediation costs was recognised as at 31 December 2022. Branch has signed a settlement agreement with Commerce Commission 3rd July 2023.

12. Unusual transactions

There have been no unusual transactions materially affecting the financial statements of the Branch for the periods ended 30 June 2023. The recognition of provision amounting to \$11,095,097 for remediation costs in response to the Commerce Commissions findings following the completion of its investigation of the Branch's compliance with the CCCFA during the period has materially affected the condensed interim financial statements of the Branch for the period ended 30 June 2022 and provision of \$11,029,020 for remediation costs was recognised as at 31 December 2022.

13. Contingencies

As at 30 June 2023, the Branch has contingent liabilities in the form of guarantees \$363,000 (30 June 2022: \$363,000, 31 December 2022: \$363,000). These guarantee the performance of customers by issuing standard guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers.

The Branch also carries off-balance sheet credit exposures pertaining to lending commitments approved but not yet advanced of \$11,458,832 (refer to Note 18).

14. Events after the end of the reporting period

There have been no subsequent events materially affecting the financial statements of the Registered Bank for the 6 months ended 30 June 2023.

Condensed Financial Statements – Kookmin Bank Auckland Branch

15. Additional Information on the Condensed Statement of Comprehensive Income

There have been no net trading gains or losses, no credit risk adjustments on financial assets at fair value through profit or loss and no other fair value adjustments during the period (30 June 2022: nil, 31 December 2022: nil).

There was a gain on fair value movement of financial assets at fair value through profit of \$473,187 on Derivative financial assets at fair value through profit for foreign exchange forward (30 June 2022: nil, 31 December 2022: nil).

16. Lease liabilities

	<i>(Unaudited)</i> As at 30 June 2023 (\$)	<i>(Unaudited)</i> As at 30 June 2022 (\$)	<i>(Audited)</i> As at 31 December 2022 (\$)
Current lease liabilities	382,426	357,075	379,426
Non current lease liabilities	1,741,718	2,091,180	1,933,709
	2,124,144	2,448,255	2,313,433

17. Additional Information on the Condensed Statement of Financial Position

	<i>(Unaudited)</i> As at 30 June 2023 (\$)	<i>(Unaudited)</i> As at 30 June 2022 (\$)	<i>(Audited)</i> As at 31 December 2022 (\$)
Total Interest earning and discount bearing assets	830,715,174	829,116,184	766,038,727
Total Interest and discount bearing liabilities	820,133,879	828,748,163	809,562,062
Financial assets pledged as collateral for liabilities or contingent liabilities	363,000	363,000	363,000
Total Amount due from Related entities (excluding key management personnel)	109,738,996	234,116,682	181,338,769
Total Amount due to Related entities (excluding key management personnel)	309,905,187	353,497,301	349,356,161
	<i>(Unaudited)</i> As at 30 June 2023 (\$)	<i>(Unaudited)</i> As at 30 June 2022 (\$)	<i>(Audited)</i> As at 31 December 2022 (\$)
Liabilities of the Overseas Bank in New Zealand – net of amounts due to related parties	525,420,264	489,876,295	476,005,488
Total Retail deposits with the Overseas Bank in New Zealand	157,876,372	186,263,393	159,548,265

18. Concentration of Credit Risk

The following tables present the Branch's concentration of credit risk in terms of industry sector and geographical region and are presented at carrying value, net of any provision for credit impairment. The credit exposure does not take into account the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments.

The Branch achieves credit risk mitigation through collateralisation, where the exposure is secured by eligible collateral. Collateral security in the form of real property or security interest in personal property is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance (e.g. household loans), is generally secured against real estate while short term revolving consumer credit is generally unsecured. Credit risk also arises from the possibility that the counterparty to a derivative financial instrument will not adhere to the terms of the contract with the Branch when settlement becomes due.

The main types of collateral taken vary and include residential mortgages, charge over properties being financed, cash and deposits.

	<i>(Unaudited)</i> As at 30 June 2023 (\$)	<i>(Unaudited)</i> As at 30 June 2022 (\$)	<i>(Audited)</i> As at 31 December 2022 (\$)
On-Balance Sheet credit exposures			
Cash and cash equivalents	202,011,498	7,718,245	56,520,848
Due from other banks	-	9,000,444	-
Loans and advances to customers	523,895,180	585,292,417	584,138,826
Due from related parties	109,738,996	234,116,682	181,338,769
Derivative financial instruments	469,299		
Other assets	17,719	10,800	26,640
Total	836,132,692	836,138,588	822,025,083
Off- Balance Sheet credit exposures			
Lending commitments approved but not yet advanced	11,458,832	10,167,545	5,895,406
Contingent related financial guarantees	363,000	363,000	363,000
Total	11,821,832	10,530,545	6,258,406
Customer's industry sectors			
Banks and financial institutions	312,237,512	250,846,171	237,870,517
Accommodation, cafes, restaurants	521,832	1,062,745	663,430
Wholesale and retail	24,693,716	24,877,083	24,532,981
Manufacturing	10,928,013	11,081,439	10,786,327
Property	331,194,180	320,398,013	346,950,909
Services	15,231,812	15,118,540	15,193,533
Transport and storage	-	-	-
Other corporate	5,552,096	32,974,646	30,607,872
Retail lending	147,595,363	190,310,496	161,677,920
Total	847,954,524	846,669,133	828,283,489
Geographical areas			
New Zealand	515,403,703	520,358,441	566,622,020
Republic of Korea	232,603,270	325,106,585	260,353,589
Australia	131,662	109,170	199,717
United States of America	785,605	645,527	970,969
Europe	136,383	449,410	137,194
Malaysia	49,454,688	-	-
Hong Kong	49,439,213	-	-
Total	847,954,524	846,669,133	828,283,489

Condensed Financial Statements – Kookmin Bank Auckland Branch

19. Concentration of Funding

The following tables present the Branch's concentration of funding which are reported at carrying value by product, industry and geographic region:

	<i>(Unaudited)</i> As at 30 June 2023 (\$)	<i>(Unaudited)</i> As at 30 June 2022 (\$)	<i>(Audited)</i> As at 31 December 2022 (\$)
a) Category of products			
Due to other banks	304,061,990	247,524,998	250,850,552
Customer current deposits	47,269,022	63,675,347	43,293,560
Customer savings and term deposits	158,938,539	164,090,383	166,102,138
Due to related parties	309,905,187	353,497,301	349,356,161
Other liabilities	1,155,287	649,389	1,116,877
Total	821,330,025	829,437,418	810,719,288
b) Customer's industry sectors			
Banks and financial institutions	622,318,105	606,392,958	609,325,798
Individuals	157,876,372	186,263,393	159,548,265
Property and retail trade	7,690,882	18,513,893	22,441,255
Accommodation and restaurants	120,047	179,177	78,636
Other	33,324,619	18,087,997	19,325,334
Total	821,330,025	829,437,418	810,719,288
c) Geographical areas			
New Zealand	207,393,235	228,444,514	210,542,452
Republic of Korea	376,654,651	384,445,945	444,023,265
China	-	-	-
Taiwan	237,282,139	184,301,258	156,153,571
Hong-Kong	-	-	-
Singapore	-	-	-
Malaysia	-	32,245,701	-
Total	821,330,025	829,437,418	810,719,288

As at 30 June 2023, the Company carries CCCFA provision of \$11,029,020 (30 June 2022: \$11,095,097, 31 December 2022: \$11,029,020) on the statement of financial position. This amount is not included in the above Concentration of Funding tables as this relates to a provision and not obligations of the Branch arising from its main business operations.

Condensed Financial Statements – Kookmin Bank Auckland Branch

20. Interest Rate Risk

Interest rate risk is the risk of earnings fluctuations from movements in interest rates.

Interest rate risk in the Branch arises primarily from borrowing from and lending to customers, related parties and trade finance transactions.

Procedures are in place to evaluate in advance the effect that large loans, investments and other transactions will have on the interest rate risk of the Branch. Exposure to interest rate risk is monitored on a weekly basis.

The following tables include the Branch's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity date.

(Unaudited) As at 30 June 2023	0 – 3 months	3 – 6 months	6 – 12 months	1 – 2 years	over 2 years	Non Interest Bearing	Total
Cash and cash equivalents	196,168,957	-	-	-	-	5,842,541	202,011,498
Due from other banks	-	-	-	-	-	-	-
Loans and advances to customers	177,721,486	109,837,214	233,552,642	3,695,878	-	(912,040)	523,895,180
Due from Related Parties	61,446,090	48,081,756	211,150	-	-	-	109,738,996
Derivative financial assets	-	-	-	-	-	469,299	469,299
Other Financial Assets	-	-	-	-	-	17,719	17,719
Total Financial Assets	435,336,533	157,918,970	233,763,792	3,695,878	-	5,417,519	836,132,692
Due to Other Banks	169,794,122	134,237,480	-	-	-	30,388	304,061,990
Deposits from Customers	124,885,498	30,825,367	37,087,317	9,748,942	3,649,966	10,471	206,207,561
Due to Related Parties	171,434,558	72,190,112	66,280,517	-	-	-	309,905,187
Lease Liabilities	-	-	-	-	-	2,124,144	2,124,144
CCCFA Provision	-	-	-	-	-	11,029,020	11,029,020
Other Financial Liabilities	-	-	-	-	-	1,155,287	1,155,287
Total Financial Liabilities	466,114,178	237,252,959	103,367,834	9,748,942	3,649,966	14,349,310	834,483,189
Off Balance sheet (Notional Amount)*							
Derivative financial – receive	-	16,477,179	16,477,179	-	-	-	32,954,358
Derivative financial - pay	-	(16,035,920)	(16,375,993)	-	-	-	(32,411,913)
Total	-	441,259	101,186	-	-	-	542,445

* off-balance sheet items related to the inflows and outflows of funds as Foreign exchange forward of derivative instruments.

21. Fair Value

Fair Value hierarchy

The Branch believes that valuation techniques used for measuring the fair value of financial instruments are reasonable and that the fair value recognized in the statement of financial position is appropriate. However, the fair value of the financial instruments recognized in the statement of financial position may be different if other valuation techniques or assumptions are used. Additionally, as there are a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

The Branch classifies and discloses fair value of the financial instruments into the three fair value levels as follows:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

Branch	As at 30 June 2023		As at 30 June 2022	
	Level 1 (\$)	Level 2 (\$)	Level 1 (\$)	Level 2 (\$)
Derivative financial instruments held for trading				
Derivative financial assets				
Foreign exchange forward	-	469,299	-	-
Total derivative financial assets	-	469,299	-	-
Derivative financial liabilities				
Foreign exchange forward	-	-	-	-
Total derivative financial liabilities	-	-	-	-

There were no financial assets and liabilities carried at fair value categorised under Level 3 in this Period.

Derivatives

Derivative financial instruments are initially recognized at fair value. After initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

The fair values of foreign exchange forward contracts were obtained from quoted market prices or discounted cash flow models. Inputs applied in getting the fair value of derivative financial instruments are market observable inputs which include interest rates and forward curves observable at commonly reported intervals where required

Derivative financial instruments held for trading

All derivative financial instruments are measured at fair value. Gains or losses arising from changes in fair value are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss. All derivative financial instruments do not qualify for hedge accounting.

22. Additional Information on Liquidity Risk

The table below presents the Branch's cash flows by remaining contractual maturities as at reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows and therefore will not agree to the carrying values on the Statement of Financial Position. The Branch manages liquidity based on a contractual basis and therefore expected maturities are not shown.

(Unaudited) As at 30 June 2023	On Demand (\$)	1 month or less (\$)	1 to 3 months (\$)	3 months to 1 year (\$)	Between 1 – 5 years (\$)	More than 5 years (\$)	Total (\$)
Contractual maturities of financial liabilities							
Due to other banks	30,387	71,973,827	101,065,608	134,778,709	-	-	307,848,531
Deposit from customers	47,269,022	42,802,300	37,456,935	68,640,924	14,363,679	-	210,532,860
Due to related parties	54,234,975	90,660,437	31,478,565	138,783,925	-	-	315,157,902
Lease liabilities	-	31,615	63,426	287,385	1,668,634	73,084	2,124,144
CCCFA Provision	11,029,020	-	-	-	-	-	11,029,020
Other financial liabilities	1,155,287	-	-	-	-	-	1,155,287
Total non-derivative financial liabilities	113,718,691	205,468,179	170,064,534	342,490,943	16,032,313	73,084	847,847,744
Total Contingent Liabilities and Commitments							
Lending commitments approved but not yet advanced	11,458,832	-	-	-	-	-	11,458,832
Other commitments to provide financial guarantees to external parties	363,000	-	-	-	-	-	363,000
Total undiscounted contingent liabilities and commitments	11,821,832	-	-	-	-	-	11,821,832

Management of liquidity risk

The Overseas Bank supervises the Branch's liquidity under its global liquidity management policy. The Branch obtains funding from its Overseas Bank when necessary. Maturity reports are used to monitor the Branch's capability in managing its day to day liquidity needs and to ensure it can meet its obligations when they fall due. This monitoring of liquidity risk is performed daily by the product manager and reviewed weekly by the General Manager of the Branch.

Liquid Assets

A key measure used by the Branch for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Generally, liquid assets include cash and cash equivalents, short term interbank deposits and highly rated debt securities available for immediate sale and for which there exists a deep and liquid market. Net liquid assets are liquid assets less any deposits from banks, debt securities issued and other borrowings maturing within the next 30 days. A similar, but not identical, calculation is used to measure the Overseas Bank's compliance with the liquidity limit established by the Overseas Bank's lead regulator.

The below table represents the Branch's liquid assets as at 30 June 2023.

	(Unaudited) 6 months ended 30 June 2023 (\$)
Cash and cash equivalents	202,011,498
Due from other banks	-
Due from related parties	-
	202,011,498

23. Overseas Banking Group Profitability and Size

The most recent period for which information is publicly available is the 12 months ended 31 December 2022.

Profitability	(Audited) Year ended 31 December 2022 (Korea Won Billions)	(Audited) Year ended 31 December 2021 (Korea Won Billions)
Net profit after tax	2,728	2,538
Net profit after tax as a percentage of average of total assets over the 12 months ended on 31 December	0.54%	0.55%

Size	(Audited) 31 December 2022 (Korea Won Billions)	(Audited) 31 December 2021 (Korea Won Billions)
Total assets	517,770	483,565
Percentage change in total assets over the 12 months ended on that date	7.07%	10.29%

24. Loan to valuation ratio

The information below has been derived in accordance with the definition of loan-to-valuation ratio specified in Capital Adequacy Framework (Standardised Approach) (BS2A).

Residential mortgages by loan-to-valuation ratio at 30 June 2023(Unaudited)

LVR range	0% - 80%	80% -90%	Over 90%
Value of exposure	147,590,355	-	-

Reconciliation of residential mortgage-related amounts

	<i>(Unaudited)</i> 30 June 2023 (\$)
Gross residential mortgage (as disclosed in note 8)	147,295,390
Impairment allowance	(20,071)
Residential lending commitments approved but not yet advanced	315,036
Residential Mortgages by loan-to-valuation ratio	147,590,355

25. Exposures to Market Risk

Market risk notional capital charges

The Branch’s aggregate market risk exposure is derived in accordance with the Reserve Bank of New Zealand Banking Prudential Requirement (BPR). The peak-end-of-day exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure over the six months in accordance with BPR.

<i>End-of-period</i>	<i>(Unaudited)</i> 30 June 2023	
	Implied risk weighted exposure NZD(\$000)	Notional Capital Charge NZD(\$000)
Interest Rate Risk	10,319	826
Foreign Currency Risk	1,865	149
Equity Risk	-	-

Market risk peak end of day notional capital charges

The Branch’s Peak end of day notional capital charge has been derived by determining the maximum aggregate capital charge for each category at the close of each business day in accordance with Reserve Bank of New Zealand Banking Prudential Requirement (BPR).

<i>Peak end-of-day</i>	<i>(Unaudited)</i> 30 June 2023	
	Implied risk weighted exposure NZD(\$000)	Notional Capital Charge NZD(\$000)
Interest Rate Risk	28,705	2,296
Foreign Currency Risk	2,269	181
Equity Risk	-	-

26. Capital Adequacy of the Overseas Banking Group

Overseas Banking Group (Unaudited)	31 Dec. 2022	Minimum Percentage required by FSS	31 Dec. 2021	Minimum Percentage required by FSS
Common Equity Tier One Capital as a percentage of risk weighted exposures	14.50%	4.50%	14.70%	4.50%
Tier One Capital as a percentage of risk weighted exposures	14.92%	6.00%	14.98%	6.00%
Total Capital as a percentage of risk weighted exposures	17.46%	8.00%	17.47%	8.00%

The information stated for the Overseas Banking Group is presented for the most recent period for which information is publicly available based on the consolidated Overseas Banking Group Figures.

FSS stands for Financial Supervisory Service of the Republic of Korea. The ratios were calculated in accordance with the Bank of International Settlements (BIS III) framework and the Overseas Bank meets the requirements. The capital adequacy information of the Overseas Banking Group can be accessed through the Kookmin Bank website at <https://www.kbstar.com>.

27. Asset Quality

Credit quality of loans that are neither past due nor impaired are as follows

	<i>(Unaudited)</i> 30 June 2023	
	Corporate(\$)	Total(\$)
Grade 1	21,976,881	21,976,881
Grade 2	85,130,633	85,130,633
Grade 3	262,703,430	262,703,430
Grade 4	6,808,908	6,808,908
Grade 5	-	-
	376,619,852	376,619,852

Residential mortgages of \$147,275,319 and other retail loans of \$9 are ungraded.

Credit quality of loans graded according to internal credit ratings are as follows.

Overall credit grade	Corporate grade	Classification
Grade 1	AAA to BBB+	Corporate facilities demonstrating financial condition and capacity to repay that are good to exceptional.
Grade 2	BBB to BB	Corporate facilities demonstrating financial condition and capacity to repay that are average to good.
Grade 3	BB- to B	Corporate facilities demonstrating financial condition and capacity to repay that are stable to average.
Grade 4	B- to CCC	Corporate facilities demonstrating financial condition and capacity to repay that are unstable.
Grade 5	CC or under	Corporate facilities that are at a high risk of default

Asset quality information for loans and advances to customers

Branch Past due but not impaired As at 30 June 2023	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	Total (\$)
Past due up to 30 days	-	-	-	-
Past due 30 – 60 days	-	-	-	-
Past due 60 – 90 days	-	-	-	-
Past due 90+ days	-	-	-	-
Total	-	-	-	-

Condensed Financial Statements – Kookmin Bank Auckland Branch

27. Asset Quality (continued)

Loan Reconciliation

	<i>(Unaudited)</i> 30 June 2023 (\$)	<i>(Unaudited)</i> 30 June 2022 (\$)	<i>(Audited)</i> 31 December 2022 (\$)
Total loans and advances to customers	524,807,220	585,999,058	584,699,958
Less Allowance for Loan losses	(912,040)	(706,641)	(561,132)
Loans and advances to customers	523,895,180	585,292,417	584,138,826

Branch Individually impaired assets For the 6 months ended 30 June 2023	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	Total (\$)
Balance at beginning of period	-	-	-	-
Additions	-	-	-	-
Deletions	-	-	-	-
Amount written off	-	-	-	-
Balance at end of period	-	-	-	-
Aggregate amount of individual credit impairment allowance	-	-	-	-

Branch Individual credit impairment allowances For the 6 months ended 30 June 2023	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	Total (\$)
Opening Balance	-	-	-	-
Charge/(credit) to statement of financial performance	-	-	-	-
Amounts written off	-	-	-	-
Recoveries of previous write off's	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Other Movements	-	-	-	-
Closing Balance	-	-	-	-

<i>(Unaudited)</i> Branch Collective credit impairment allowances For the 6 months ended 30 June 2023	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	Total (\$)
Opening Balance	12,322	548,810	-	561,132
(Credit) /charge to statement of comprehensive income	-	343,159	-	343,159
Other movements	7,749	-	-	7,749
Closing Balance	20,071	891,969	-	912,040

Condensed Financial Statements – Kookmin Bank Auckland Branch

27. Asset Quality (continued)

Movements in components of collective credit impairment allowances (NZ IFRS 9) are as follows

(Unaudited) Residential Mortgages Collective credit impairment allowances For the 6 months ended 30 June 2023	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total (\$)
Opening Balance	12,322	-	-	-	12,322
Transfers :					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Charge to statement of comprehensive income	7,749	-	-	-	7,749
Write-offs	-	-	-	-	-
Closing Balance	20,071	-	-	-	20,071

(Unaudited) Corporate Collective credit impairment allowances For the 6 months ended 30 June 2023	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total (\$)
Opening Balance	546,522	2,288	-	-	548,810
Transfers :					
Transfer from Stage 1 to Stage 2	(1,234)	1,234	-	-	-
Transfer from Stage 2 to Stage 1	2,288	(2,288)	-	-	-
Charge to statement of comprehensive income	337,311	5,848	-	-	343,159
Write-offs	-	-	-	-	-
Closing Balance	884,887	7,082	-	-	891,969

(Unaudited) Other Retail Collective credit impairment allowances For the 6 months ended 30 June 2023	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total (\$)
Opening Balance	-	-	-	-	-
Transfers :					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
(Credit) /charge to statement of comprehensive income	-	-	-	-	-
Write-offs	-	-	-	-	-
Closing Balance	-	-	-	-	-

Condensed Financial Statements – Kookmin Bank Auckland Branch

27. Asset Quality (continued)

The gross carrying amounts of loans that affect credit impairment allowances (NZ IFRS 9) are as follows

(Unaudited) Residential Mortgages Gross carrying amount For the 6 months ended 30 June 2023	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total (\$)
Opening Balance	161,233,114	-	-	-	161,233,114
Transfers :					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Additions	53,696	-	-	-	53,696
Repayments	(13,991,420)	-	-	-	(13,991,420)
Write-offs	-	-	-	-	-
Closing Balance	147,295,390	-	-	-	147,295,390

(Unaudited) Corporate Gross carrying amount For the 6 months ended 30 June 2023	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total (\$)
Opening Balance	421,960,350	1,506,486	-	-	423,466,836
Transfers :					
Transfer from Stage 1 to Stage 2	(1,584,587)	1,584,587	-	-	-
Transfer from Stage 2 to Stage 1	1,506,486	(1,506,486)	-	-	-
Additions	63,980,600	-	-	-	63,980,600
Repayments	(109,891,608)	(44,007)	-	-	(109,935,615)
Write-offs	-	-	-	-	-
Closing Balance	375,971,241	1,540,580	-	-	377,511,821

(Unaudited) Other Retail Gross carrying amount For the 6 months ended 30 June 2023	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total (\$)
Opening Balance	8	-	-	-	8
Transfers :					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Additions	1	-	-	-	1
Repayments	-	-	-	-	-
Write-offs	-	-	-	-	-
Closing Balance	9	-	-	-	9

27. Asset Quality (continued)

Overseas Banking Group Asset Quality	(Audited) 31 December 2022 (Korea Won in Billions)
Total assets	517,770
Total impaired assets	2,633
As a % of total assets	0.51%
Total Stage 3 credit impairment allowance*	1,189
As a % of total impaired assets	45.16%
Total Stage 1 credit impairment allowance*	844
Total Stage 2 credit impairment allowance*	732

* Information is not defined in the financial reporting but accordance with schedule 7, section 8(2) of the Overseas Bank Disclosure Statements (Overseas Incorporated Overseas Banks) Order 2014 (as amended), the Overseas Bank has disclosed information that corresponds as closely as possible which is publicly available in the Overseas Banking Group's consolidated financial statement.

28. Risk management policies of the Branch

There has been no material change in the six months prior to 30 June 2023 in the Branch's risk management policies.

The Branch has not been exposed to any new categories of risk since the previous Disclosure Statement publication date.

29. Insurance business and non-financial activities

The Branch does not conduct any insurance business and is not involved in the marketing and distribution of insurance products. The Branch does not conduct any non-financial activities in New Zealand. The Branch is not involved in the establishment, marketing, or sponsorship of any trust, custodial, funds management, and other fiduciary activities. The Branch is also not involved in the origination of securitised assets and the marketing or servicing of securitisation schemes.

30. Interest revenue and Fee and commission revenue

	(Unaudited) 6 months ended 30 June 2023 (\$)	(Unaudited) 6 months ended 30 June 2022 (\$)	(Audited) 12 months ended 31 December 2022 (\$)
Interest revenue during the period	25,406,617	11,875,353	32,259,860
Interest remediation Provision	-	(10,605,145)	(10,807,738)
Interest revenue	25,406,617	1,270,208	21,452,122
Fee and commission revenue during the period	525,063	395,246	836,435
Fee and commission remediation Provision	-	(214,953)	(221,282)
Fee and commission revenue	525,063	180,293	615,153

During the prior year 31 December 2022, interest remediation provision of \$10,807,738 and Fee and commission remediation provision of \$221,282 pertain to the estimated refund of interests, fees and commission to the Branch's borrower, which were recognised following the completion of the Commerce Commission's investigation of the Branch's compliance with the CCCFA. Refer to Note 11 for additional disclosure on this matter.