INDUSTRIAL AND COMMERCIAL BANK OF CHINA NEW ZEALAND BANKING GROUP

Disclosure Statement

For the year ended 31 December 2024

Disclosure Statement

This Disclosure Statement has been issued by Industrial and Commercial Bank of China Limited for the NZ Banking Group for the year ended 31 December 2024 in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

(a) "Overseas Bank", "Registered Bank" or "ICBC" means Industrial and Commercial Bank of China Limited, incorporated in China;

(b) "Overseas Banking Group" means the total worldwide business of ICBC including its controlled entities;

(c) "Branch" means the New Zealand Branch of the Overseas Bank;

(d) "ICBC (NZ)" means Industrial and Commercial Bank of China (New Zealand) Limited, the locally incorporated subsidiary of the Overseas Bank;

(e) "NZ Banking Group" means the New Zealand operations of the Overseas Bank comprising the Branch and ICBC (NZ);

(f) "NZD" means the New Zealand Dollar, "RMB" means the Chinese Yuan, "USD" means the United States Dollar, "HKD" means the Hong Kong Dollar, "EUR" means the Euro and "AUD" means the Australian Dollar;

(g) "Board" means the board of directors of the Overseas Bank; and

(h) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The financial statements of the NZ Banking Group for the year ended 31 December 2024 form part of and should be read in conjunction with this Disclosure Statement.

This Disclosure Statement is available on the ICBC (NZ)'s website at www.icbcnz.com. In addition, any person can request a hard copy of the Disclosure Statement at no charge. The copy will be provided by the end of the second working day after the day on which the request is received.

The NZ Banking Group also is preparing its Climate Statement in accordance with the Aotearoa New Zealand Climate Standards. We intend to publish the Climate Statement at www.icbcnz.com by 30 April 2025.

Contents

Industrial and Commercial Bank of China – NZ Banking Group Corporate Information

Address for Service

The Registered Bank is Industrial and Commercial Bank of China Limited, incorporated in China. ICBC is subject to regulatory oversight by the National Financial Regulatory Administration ("NFRA") and the Government of the People's Republic of China. ICBC is the ultimate parent bank and ultimate holding company of NZ Banking Group.

(a) The registered address of ICBC is:

55 Fuxingmennei Avenue,
Xicheng District, 100140,
Beijing,
People's Republic of China

(b) Annual Report of ICBC

A copy of the latest ICBC annual report is available on the ICBC website: www.icbc.com.cn

(c) The address for service and place of business of the Branch is:

HSBC Tower, Level 11, 188 Quay Street,
Auckland 1010, New Zealand

Nature of Business

The Overseas Bank is granted a banking licence on 18 May 2020 by the Reserve Bank of New Zealand. The NZ Banking Group currently provides a range of banking and financial products to retail, corporate and institutional customers.

Limits on Material Financial Support by the Overseas Bank

There are no legislative, regulatory or other restrictions of a legally enforceable nature in China that may materially inhibit the legal ability of ICBC to provide material financial support to the NZ Banking Group.

Subordination of Claims of Creditors

There are no material legislative or regulatory restrictions in China that, in a liquidation of the Overseas Bank, subordinate the 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.

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 "Administrative Measures for the Liquidity Risk of Commercial Banks" originally issued by China Banking and Insurance Regulatory Commission in July 2018 and with regulatory authority transferred to the National Administration of Financial Regulation ("NFRA") in May 2023, requires the Overseas Banking Group to hold adequate high quality liquid assets in order to cover liquidity needs under stress scenarios. The requirement is based on the consolidated position of the Overseas Banking Group and any liquidity requirement of the NZ Banking Group will form part of the Overseas Banking Group's consolidated position. The liquidity of the Branch is therefore managed within the Overseas Banking Group and will be influenced by the Overseas Banking Group requirements.

Guarantee Arrangements

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

Directorate

Directors of the Overseas Bank

The Board of Directors of ICBC is ultimately responsible for the governance of the Branch. As at the date of this Disclosure Statement, the Directors of ICBC are as follows:

NON-INDEPENDENT DIRECTORS	
Name: Lin Liao(Chairman of the Board) Executive Director **Country of Residence:** China **Qualification:** Doctorate degree in Management Science	**External Directorships:** None
Name: Jun Liu Executive Director, Vice Chairman and President **Country of Residence:** China **Qualification:** Doctorate degree in Business Administration	**External Directorships:** None
Name: Jingwu Wang Executive Director, Senior Executive Vice President, Chief Risk Officer **Country of Residence:** China **Qualification:** Doctorate degree in Economics	**External Directorships:** None
Name: Yongzhen Lu Non-executive Director **Country of Residence:** China **Qualification:** Doctorate degree in Economics, Bachelor's degree and Master's degree	**External Directorships:** None
Name: Weidong Feng Non-executive Director **Country of Residence:** China **Qualification:** Doctorate degree, Bachelor's degree in Economics	**External Directorships:** None
Name: Liqun Cao Non-executive Director **Country of Residence:** China **Qualification:** Master's degree in Finance, Master's degree in Public Administration, Bachelor's degree in Law	**External Directorships:** None
Name: Yifang Chen Non-executive Director **Country of Residence:** China **Qualification:** Bachelor's degree in Economics	**External Directorships:** None
Name: Yang Dong Non-executive Director **Country of Residence:** China **Qualification:** Master's degree in Management	**External Directorships:** None
Name: Mantao Zhong Non-executive Director **Country of Residence:** China **Qualification:** Master's degree in Economics	**External Directorships:** None

INDEPENDENT DIRECTORS	
Name: Fred Zuliu Hu Independent Non-executive Director **Country of Residence:** China **Qualification:** Master's degree and PhD in Economics, Master's degree in Engineering Science	**External Directorships:** Chairman of Primavera Capital Group, Non-executive Chairman of Yum China Holdings Inc., Director of UBS Group AG, Director of Taikang Insurance Group Co., Ltd, Co-chair of Nature Conservancy's Asia Pacific Council, Director of China Medical Board
Name: Norman Chan Tak Lam Independent Non-executive Director	**External Directorships:** Chairman of the Board of Directors of RD Wallet Technologies Limited, Chairman of

Country of Residence: China **Qualification:** Honorary Fellowship, Honorary Doctorate of Social Sciences, Honorary Doctorate of Business Administration	the Board of Directors of RD ezLink Limited, Founding Chairman of Hong Kong Institute of Web 3.0, Chairman of the Board of Trustees of Chung Chi College of Chinese University of Hong Kong, vice Chairman of Chinese University of Hong Kong Council, Chairman of the Board of CUHK Innovation Limited.
Name: Herbert Walter Independent Non-executive Director **Country of Residence:** Germany **Qualification:** Doctorate in Political Science, Master's degree in Business Administration	**External Directorships:** Independent Non-executive member of the Supervisory Board of AKBANK AG.
Name: Murray Horn Independent Non-executive Director **Country of Residence:** New Zealand **Qualification:** PhD in Political Economy and Government, Master's and Bachelor's degree in Commerce	**External Directorships:** Independent Non-executive Director of China Construction Bank (New Zealand) Limited
Name: Guangting Chen Independent Non-executive Director **Country of Residence:** China **Qualification:** Doctorate degree in Accounting	**External Directorships:** Independent Director of Integrated Electronic Systems Lab Co., Ltd., Bloomage Biotechnology Corporation Limited and Alltrust Insurance Company Ltd
Name: Weiping Li Independent Non-executive Director **Country of Residence:** China **Qualification:** Doctorate degree	**External Directorships:** None

Audit Committee of the Board of Directors

Members of the Audit Committee of the Board of Directors of the Overseas Bank at the date of this Disclosure Statement are:

Guangting Chen (Chairman)	Independent Non-executive Director
Weidong Feng	Non-executive Director
Liqun Cao	Non-executive Director
Mantao Zhong	Non-executive Director
Fred Zuliu Hu	Independent Non-executive Director
Norman Chan Tak Lam	Independent Non-executive Director
Herbert Walter	Independent Non-executive Director
Weiping Li	Independent Non-executive Director

New Zealand Chief Executive Officer

Bin Liu
Chief Executive Officer
Master of Economics
Auckland, New Zealand

Directorships:
Executive Director of ICBC (NZ)

Responsible Person

Each of the current directors of the Board of the Overseas Bank named above have authorised Bin Liu (being the New Zealand Chief Executive Officer of the Branch) in writing to sign this Disclosure Statement on their behalf in accordance with section 82 of the Banking (Prudential Supervision) Act 1989.

Address for Communications

Any document or communication may be sent to any Director, the New Zealand Chief Executive Officer of the Branch or the Responsible Person at HSBC Tower, Level 11, 188 Quay Street, Auckland 1010, New Zealand. The document or communication should be marked for the attention of the relevant Director, the New Zealand Chief Executive Officer of the Branch or the Responsible Person.

Policy for Avoiding and Dealing with Conflicts of Interest

The Board is responsible for ensuring actual and potential conflicts of interest between the Directors' duty to the Overseas Bank and their personal, professional or business interests are avoided or dealt with.

Accordingly, each Director must:

(a) disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist as soon as the situation arises.

(b) abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The resolution of the Board of Directors that approves the proposed matter shall be passed by a majority of the Directors have no material interest, and the Board will determine whether or not the Director declaring a conflict should remain present when the Board discusses matters about which the conflict relates.

Interested Party Transactions

There have been no transactions which any Director, or the New Zealand Chief Executive Officer, or immediate relative or close business associate of any Director or the Chief Executive Officer, with the NZ Banking Group that either:

- have been entered into on terms other than those which would, in the ordinary course of business of the NZ Banking Group, be given to any person of like circumstances or means;
- could otherwise be reasonably likely to influence materially the exercise of that Director's or the NZ Chief Executive Officer's duties.

Information pertaining to loans to and other transactions with Directors is disclosed in Note 28 of this Disclosure Statement.

Auditor

The name and address of the auditor whose independent auditor's report is referred to in this Disclosure Statement for the year ended 31 December 2024 is:

Ernst & Young
2 Takutai Square, Britomart
Auckland, New Zealand

The name and address of the auditor whose independent auditor's report is referred to in this Disclosure Statement for the year ended 31 December 2023 is:

Deloitte Limited
Deloitte Centre
1 Queen Street
Auckland 1010, New Zealand

Conditions of Registration for Industrial and Commercial Bank of China Limited in New Zealand

These conditions of registration apply on and after 18 May 2020 as per RBNZ's letter.

The registration of Industrial and Commercial Bank of China Limited ("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 Industrial and Commercial Bank of China Limited complies with the requirements imposed on it by the China Banking and Insurance Regulatory Commission.

6. That, with reference to the following table, each capital adequacy ratio of Industrial and Commercial Bank of China Limited must be equal to or greater than the applicable minimum requirement.

Capital adequacy ratio	Minimum requirement
Common Equity Tier 1 capital	5.0 percent
Tier 1 capital	6.0 percent
Total capital	8.0 percent

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 assets; and

   (b) are otherwise as administered by China Banking and Insurance Regulatory Commission.

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. The registered bank may only undertake wholesale business in New Zealand – that is, business transacted with "wholesale investors" defined under the Financial Market Conduct Act 2013 (Clause 3(2), Schedule 1).

9. That any derivative contracts entered into by the registered bank in New Zealand may only be for the purposes of hedging a customer's positions with the registered bank, or the registered bank's own risk positions.

10. That the New Zealand assets of the registered bank do not exceed the consolidated total assets of Industrial and Commercial Bank of China (New Zealand) Limited and its subsidiaries.

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.

Pending Proceedings or Arbitration

As at the date of this Disclosure Statement, there are no pending legal proceedings or arbitrations concerning any member of the NZ Banking Group, or if publically available, the Overseas Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Overseas Bank or any other member of the NZ Banking Group.

Credit Ratings

ICBC Rating Information

The Overseas Bank had the following credit ratings applicable to its long-term senior unsecured obligations:

Rating Agency/Rating Results	Moody's Investors Service, Inc.	Standard & Poor's Global Ratings	Fitch Ratings Ltd.
Long-term Foreign Currency Bank Deposits Rating	A1 (Upper-medium grade and low credit risk)	A (Strong capacity to meet obligation but subject to adverse economic conditions)	A (Strong capacity to meet obligation but vulnerable to adverse business or economic conditions)
Short-term Foreign Currency Bank Deposits Rating	P-1 (Superior ability to repay short-term debt)	A-1 (Strong capacity to meet the financial commitments on the obligations)	F1+ (Strongest capacity for timely payment of financial commitments)
Outlook	Negative	Stable	Negative

Rating movement history

On 11 March 2025, S&P Global Ratings affirmed the long-term and short-term issuer credit rating and maintained a stable outlook.

On 10 December 2024, Moody's Investors Service affirmed the ICBC's A1 long-term deposit rating and P-1 short-term deposit rating. The rating outlook is negative, in line with the outlook on the senior unsecured debt rating of the Chinese government.

On 3 June 2024, Fitch Ratings affirmed ICBC's A long term credit rating and F1+ short term issuer default rating. The outlook is negative, mirroring the negative outlook on China's sovereign rating (A+/Negative).

A credit rating is not a recommendation to buy, sell or hold securities of the Overseas Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in the Overseas Bank's securities are cautioned to evaluate each rating independently of any other rating.

Rating Information

The following is a summary of the descriptions of the major ratings categories of each rating agency for the rating of long-term senior unsecured obligations:

Fitch Ratings Ltd.	Standard & Poor's Global Ratings	Moody's Investors Service, Inc.	Description of Rating[1,2]
AAA	AAA	Aaa	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	AA	Aa	Very strong ability to repay principal and interest in a timely manner.
A	A	A	Strong ability to repay principal and interest although susceptible to adverse changes in economic, business or financial conditions.
BBB	BBB	Baa	Adequate ability to repay principal and interest. More vulnerable to adverse changes (lowest "investment grade").
BB	BB	Ba	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and greater likelihood of default.
CCC	CCC	Caa	Likelihood of default considered high Timely repayment of principal and interest depends on favourable financial conditions.
CC-C	CC – C	Ca-C	Highest risk of default.
RD to D	D	-	Obligation currently in default.

[1] Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, or (3) in lower end. Fitch and S&P apply plus (+) or minus (-) signs to ratings from "AA" to "CCC" to indicate relative standing within the major rating categories.
[2] Credit ratings are statements of opinion issues by rating agencies. A credit rating is not a statement of fact, an endorsement of the rated entity, or a recommendation to buy, hold, or sell securities. Analytic services provided by rating agencies are the result of separate activities designed to preserve the independence and objectivity of rating opinions.

Historical Summary of Financial Statements

Thousands of dollars	31 December 2024 12 mths	31 December 2023 12 mths	31 December 2022 12 mths	31 December 2021 12 mths	31 December 2020 12 mths
Income Statement					
Interest Income	304,978	267,053	140,853	74,965	83,334
Interest Expense	(224,935)	(191,816)	(81,127)	(25,988)	(48,847)
Net Interest Income	80,043	75,237	59,726	48,977	34,487
Net gains/(losses) on financial instruments at fair value through P&L	50,526	2,735	(5,347)	9,974	123
Net other operating (expense)/income	(54,764)	3,261	4,211	(13,642)	1,217
Total operating income	75,805	81,233	58,590	45,309	35,827
Operating expenses	(25,921)	(24,126)	(21,302)	(19,540)	(18,756)
Impairment provisioning on financial assets	1,581	(11,492)	(2,245)	(2,592)	14,919
Net profit before taxation	51,465	45,615	35,043	23,177	31,990
Taxation expense	(14,447)	(12,849)	(9,872)	(6,531)	(9,016)
Net profit after taxation	37,018	32,766	25,171	16,646	22,974
Net profit or loss attributable to non-controlling interests	-	-	-	-	-
Total amount of Branch profits repatriated	-	-	-	-	-
Significant balance sheet items					
Total Assets	4,550,132	4,312,741	3,625,347	3,434,842	2,281,516
Total Liabilities	4,086,289	3,884,895	3,230,267	3,064,933	2,024,467
Total Head Office Account and Equity	463,843	427,846	395,080	369,909	257,049
Asset Quality					
Individually Impaired Assets	1,410	1,410	1,445	5,436	8,492

Historical summary data shown above are extracted from audited financial statements.

Other Material Matters

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

Directors' and New Zealand Chief Executive Officer's Statements

Each Director of the Overseas Bank and the New Zealand Chief Executive Officer states that he or she believes, after due enquiry, that:

1. As at the date on which the 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.

2. During the year ended 31 December 2024:

   (a) The Overseas Bank has complied in all material respects with each condition of registration that applied during the period;
   (b) The Branch and ICBC (NZ) had systems in place to monitor and control adequately relevant members of the NZ Banking Group's material risks, 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 properly applied.

This Disclosure Statement is dated 26 March 2025 and has been signed by Bin Liu as the New Zealand Chief Executive Officer and as agent authorised in writing by each director of Overseas Bank.

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Bin Liu
New Zealand Chief Executive Officer

Appendix 1 - Financial Statements

Industrial and Commercial Bank of China NZ Banking Group

Financial Statements for the year ended 31 December 2024

Contents

Statement of Comprehensive Income

Thousands of dollars	Note	Audited 31 December 2024	Audited 31 December 2023
Interest Income	2	304,978	267,053
Interest Expense	2	(224,935)	(191,816)
Net interest income		**80,043**	**75,237**
Net (losses)/gains on financial instruments at fair value through P&L	3	50,526	2,735
Net other operating (expense)/income	4	(54,764)	3,261
Total operating income		**75,805**	**81,233**
Operating expenses	5	(25,921)	(24,126)
Impairment provisioning on financial assets	7	1,581	(11,492)
Net profit before taxation		**51,465**	**45,615**
Taxation expense	8	(14,447)	(12,849)
Net profit after taxation		**37,018**	**32,766**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedge reserve		(1,419)	-
Tax on items recognised in equity		398	-
Total Other comprehensive income, net of tax		**(1,021)**	**-**
Total comprehensive income		**35,997**	**32,766**

The accounting policies and other notes (1-39) form part of, and should be read in conjunction with, these Financial Statements.

Statement of Changes in Equity

		Branch's Head Office Account		Other members of the NZ Banking Group			
Thousands of dollars	Note	Branch Capital	Retained Earnings	Share Capital	Cash Flow Hedge Reserve	Retained Earnings	Total
For the year ended 31 December 2024 (audited)							
Balance at 31 December 2023		84,000	26,834	233,540	-	83,472	427,846
Net profit after tax		-	16,492	-	-	20,526	37,018
Other comprehensive income		-	-	-	(1,021)	-	(1,021)
Total comprehensive income		-	16,492	-	(1,021)	20,526	35,997
Total equity movement for the year		-	16,492	-	(1,021)	20,526	35,997
Balance at 31 December 2024	25,26	84,000	43,326	233,540	(1,021)	103,998	463,843
For the year ended 31 December 2023 (audited)							
Balance at 31 December 2022		84,000	12,898	233,540	-	64,642	395,080
Net profit after tax		-	13,936	-	-	18,830	32,766
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	13,936	-	-	18,830	32,766
Total equity movement for the year		-	13,936	-	-	18,830	32,766
Balance at 31 December 2023	25,26	84,000	26,834	233,540	-	83,472	427,846

The accounting policies and other notes (1-39) form part of, and should be read in conjunction with, these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

Thousands of dollars	Note	Audited 31 December 2024	Audited 31 December 2023
Assets			
Cash, cash equivalents and balances with central banks	10	356,177	655,900
Amounts due from related parties	21	14,108	15,057
Due from banks and other financial institutions	11	24,998	29,999
Investment securities	13	253,668	232,522
Derivative financial assets	12,15	49,711	4,771
Loans and advances to customers	14,27	3,816,957	3,336,303
Right-of-use assets	18	3,712	5,178
Property, plant and equipment	17	604	960
Deferred tax assets	9	8,698	9,800
Other assets	19	21,499	22,251
Total assets		**4,550,132**	**4,312,741**
Liabilities			
Due to central banks and other financial institutions	20	1	1
Amounts due to related parties	21	2,503,394	2,389,815
Derivative financial liabilities	12,15	4,556	11,726
Deposits from customers	22	886,858	700,492
Certificates of deposit	23	93,031	106,057
Debt securities issued	23	525,862	599,732
Lease liabilities	18	4,208	5,761
Current tax liabilities	9	5,187	8,900
Deferred tax liabilities	9	8	-
Other liabilities	24	63,184	62,411
Total liabilities		**4,086,289**	**3,884,895**
Branch's Head office account			
Branch capital	25	84,000	84,000
Retained earnings	25	43,326	26,834
Other members of NZ Banking Group's equity			
Share capital	26	233,540	233,540
Cash flow hedge reserve	26	(1,021)	-
Retained earnings	26	103,998	83,472
Total NZ Banking Group's equity		463,843	427,846
Total NZ Banking Group's equity and liabilities		**4,550,132**	**4,312,741**
Total interest earning and discount bearing assets	29	4,463,542	4,254,425
Total interest and discount bearing liabilities	30	3,938,695	3,753,093
Total liabilities of the Branch, net of amounts due to related parties		13,255	70,239

The accounting policies and other notes (1-39) form part of, and should be read in conjunction with, these Financial Statements.

These financial statements were approved by the directors on 26 March 2025 and are signed on their behalf by:

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Bin Liu
New Zealand Chief Executive Officer

STATEMENT OF CASH FLOWS

Thousands of dollars		Audited 31 December 2024	Audited 31 December 2023
Cash flows applied to operating activities			
Interest income		302,940	254,991
Fees received and other income		643	1,344
Realised foreign exchange gains/(losses)		(56,371)	5,117
Interest expense		(227,037)	(165,709)
Long-term lease interest payments		(102)	(139)
Variable lease		(18)	(15)
Personnel expenses		(17,759)	(17,512)
Other operating expenses		(5,504)	(4,511)
Taxes paid		(16,653)	(11,583)
Net cash flows receipt from operating activities before changes in operating assets and liabilities		**(19,861)**	**61,983**
Changes in operating assets and liabilities arising from cash flow movements:			
(Increase)/decrease in loans and advances to customers		(479,351)	(360,388)
Increase/(decrease) in deposits from customers		186,366	134,771
Increase/(decrease) in amounts due to related parties		89,867	565,058
Increase/(decrease) in other liabilities		5,162	(122)
(Increase)/decrease in amounts due from related parties		7,815	(7,815)
Increase/(decrease) in certificates of deposit		(13,026)	(159,402)
Net change in operating assets and liabilities		**(203,167)**	**172,102**
Net cash flows receipt from operating activities	38	**(223,028)**	**234,085**
Cash flows applied to investing activities			
Purchase of property, plant and equipment		(43)	(306)
Purchase of investment securities		(87,552)	(83,491)
Proceeds from maturity of investment securities		66,450	39,265
Net cash flows (applied)/received to investing activities		**(21,145)**	**(44,532)**
Cash flows applied to financing activities			
Receipts/(payments) from subordinated loans due to related parties		-	(35,000)
Receipts from issuance of debt securities		224,181	124,845
Repayments of debt securities issued		(300,000)	(432)
Repayments of the principal portion of lease liabilities		(1,578)	(1,556)
Net cash flows received/(applied) to financing activities		**(77,397)**	**87,857**
Increase/(decrease) in cash and cash equivalents		(321,570)	277,410
Cash and cash equivalents at beginning of year		633,384	355,974
Cash and cash equivalents		**311,814**	**633,384**
Cash and cash equivalents at end of year comprised:			
Cash, cash equivalents and balances with central banks		356,177	655,900
Amount due from related parties classified as cash and cash equivalents		14,108	7,242
Due from banks and other institutions classified as cash equivalents		25,000	30,000
Due to central banks and other financial institutions classified as cash and cash equivalents		(1)	(1)
Amount due to related parties classified as cash and cash equivalents		(83,470)	(59,757)
Total cash and cash equivalents		**311,814**	**633,384**

The accounting policies and other notes (1-39) form part of, and should be read in conjunction with, these Financial Statements.

Note 1 – Accounting Policies

(1) Reporting Entity

This Disclosure Statement has been issued by Industrial and Commercial Bank of China Limited for the NZ Banking Group ("NZ Banking Group") for the year ended 31 December 2024 in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). The reporting group is the NZ Banking Group which is an aggregation of the Branch and Industrial and Commercial Bank of China (New Zealand) Limited, a locally incorporated subsidiary of Industrial and Commercial Bank of China Limited. The NZ Banking Group operations began on 18 May 2020.

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended). They were approved for issue by the Board of Directors of the Overseas Bank (the "Board") on 26 March 2025.

The NZ Banking Group provides its products and services to retail and wholesale/institutional customers.

(2) Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to the International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with the International Financial Reporting Standards.

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, as further explained in the respective accounting policies below. The carrying values of recognised assets and liabilities, that are hedged in fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of the Statement of Cash Flows, due from banks and other financial institutions are treated as cash and cash equivalents as these are short-term highly liquid investments with original maturities of less than three months from the date of acquisition.

(3) Basis of Aggregation

The NZ Banking Group is an aggregation of the individual financial statements of the Branch and ICBC (NZ). All transactions and balances between entities within the NZ Banking Group have been fully eliminated where they exist.

(4) Presentation Currency

The reporting currency of these financial statements is New Zealand dollars, the currency of the primary economic environment in which the NZ Banking Group operates ("the functional currency"). The financial statements are presented in New Zealand dollars and rounded to the nearest thousands ($'000) unless otherwise stated.

(5) Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. Management is required to make judgements on accounting policies and estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. These estimates and associated assumptions are based on historical experience and various other facts appropriate to the particular circumstances. Actual results may differ from these estimates.

Estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The information about estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following accounting policies and notes:

- Impairment Allowance: determining inputs into the Expected Credit Loss ("ECL") measurement model, including incorporation of forward-looking information and recoverable cash flows.
- Deferred Taxation
- Fair value of derivatives

Estimation uncertainties:

Assumptions made as at each reporting date (e.g. the calculation of the ECL and fair value adjustments), are based on best estimates at that time. Although the Bank has processes in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates.

Applying judgement to the situation, the NZ Banking Group recognises the degree of change that has occurred in NZ and in the international macroeconomic environment and the potential for these impacts to emerge over time. Management regularly reviews the adjustments, the estimates and methodologies for the assessment for expected credit loss.

Note 1 – Accounting Policies (continued)

The ECL calculation considers reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The NZ Banking Group benchmarks ECL and then adjusts Significant Increased Credit Risk (SICR) factors that are specific to the NZ Banking Group. The NZ Banking Group then applies judgement to assess the reasonableness of the modeled outcomes.

The NZ Banking Group uses a global ECL model for corporate loans. This model has been updated for 2024. The corporate ECL model uses data, such as default data, from a range of sources. Macro-economic scenarios are applied to model a range of future outcomes. The Bank then applies judgement to assess the reasonableness of the modeled outcomes.

Fair value of derivatives
The fair value of derivatives are measured from inputs that are observable for the assets and liabilities either directly or indirectly from the market.

Deferred Taxation
Based on the latest forecast, the future taxable profits are in excess of the gross balance of the deductible temporary differences as at 31 December 2024.

(6) Summary of material accounting policies
The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated, and noted in (n) “change in accounting policy” below.

(a) Foreign currency translation
Foreign currency transactions are translated into the functional currency (NZD) using the exchange rates prevailing at the date of the transaction or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated into NZD at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the profit or loss.

(b) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the NZ Banking Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income and expense
For all financial instruments measured at amortised cost and interest-generating financial instruments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the NZ Banking Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

In the case of financial instruments measured at fair value through profit or loss by reference to contractual interest rates.

Once a financial asset or a book of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Lending Fees
Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

(iii) Commission and Other Fees
The NZ Banking Group earns fee and commission income from a diverse range of services it provides to its customers. Fees arising from commission, asset management, custody and other management advisory services are recognised on the basis of when the transaction is completed or on an accrual basis when the service is provided over a period of time.

(iv) Payment and services fee
Fees arising from providing settlement and clearing transactions. Fees are recognised on completion of the transaction.

(v) Derivative financial instruments
Realised and unrealised gains and losses from re-measurement of financial instruments at fair value through profit or loss are disclosed in the profit or loss.

Note 1 – Accounting Policies (continued)

(c) Expense recognition
All other expenses, excluding interest expense, are recognised in the statement of comprehensive income on an accrual basis.

(d) Classification and Measurement of Financial Assets and Financial Liabilities

Classification
Financial assets include items such as cash and cash equivalents and balances with central banks, due from banks and other financial institutions, financial assets at fair value through profit or loss, loans and receivables, and investment securities.

According to NZ IFRS 9, financial assets are classified into the following categories:

- Those to be measured at amortised cost; and
- Those to be measured at fair value through profit or loss.

The classification depends on the NZ Banking Group's business model for managing financial assets and the contractual characteristics of financial asset. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets measured at amortised cost
A financial asset is measured at amortised cost only if it meets both the following conditions:

- Business model objective: financial assets held in order to collect contractual cash flows; and
- Contractual cash flow characteristics: solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value plus direct attributable transaction costs and subsequently measured at amortised cost. Financial assets measured at amortised cost include:

Cash, cash equivalents and balances with central banks
Cash, cash equivalents, and balances with central banks include cash and cash at bank, settlement account balance with central bank and other financial institutions, cash in transit, bank overdrafts.

Amount due from related parties
Amount due from related parties includes all amounts due from related parties of the NZ Banking Group.

Due from banks and other financial institutions
Due from banks and other financial institutions includes term deposits with other financial institutions.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the NZ Banking Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for expected credit losses ("ECL"). Gains and losses are recognised in the profit or loss when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the NZ Banking Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Investment securities
Investments securities are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the NZ Banking Group has the positive intention and ability to hold to maturity, and which are not designated as financial assets measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Investment securities are measured at amortised cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the profit or loss when the investment securities are derecognised or impaired, as well as through the amortisation process. All the financial investments are bond investments.

(ii) Financial assets measured at fair value through profit and loss
A financial asset is measured at fair value through profit and loss if it does not meet the amortised cost criteria. Financial assets held at fair value through profit or loss are initially recognised at fair value, with transaction costs being recognised in the profit or loss as incurred. Subsequently, they are measured at fair value with gains and losses recognised in the profit or loss as they arise.

Where a financial asset is held at fair value, the movement in fair value attributable to interest rate market movements is either an observable market value or calculated based on changes in observable market interest rates for swaps. The movement in fair value attributable to changes in credit risk is established through a statistical-based calculation to estimate expected losses attributable to adverse movements in credit risk.

Note 1 – Accounting Policies (continued)

Assets in this category are either held for trading or designated at fair value through profit or loss at inception. A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(a) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or from recognising the gains and losses on them on different bases;
(b) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or
(c) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets designated at fair value through profit or loss might include debt securities and other debt instruments.

These assets are measured at fair value after initial recognition. Realised and unrealised income or expenses are recognised in the profit or loss.

Derivative assets
Derivative instruments are contracts whose value is derived from one or more underlying variables such as a special interest rate or index as defined in the contract. Derivative assets are measured at fair value through profit or loss.

(iii) Financial liabilities held at amortised cost
This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost and include:

Due to central banks and other financial institutions/Amount due to related parties
This represents amounts due to other banks, apart from those designated as at fair value through profit or loss.

Deposits from customers
Deposits from customers cover all forms of funding, apart from those classified as at fair value through profit or loss and include transactional and savings accounts, term deposits and credit balances on cards.

Other liabilities
Other liabilities include the accrual of interest coupons and fees payable. For derivatives, any accrued interest is recognised and measured as part of the derivative's fair value.

Debt Securities Issued/Certificates of deposit
Debt Securities Issued is recognised in the balance sheet including accrued interest. When fair value hedge accounting is applied to fixed rate debt securities issued, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Transaction costs, specifically debt issue costs, include costs incurred directly attributable to the issuance of the debt, such as legal costs and lead manager fee.

(iv) Financial liabilities at fair value through profit or loss
Liabilities in this category are either held for trading or designated at fair value through the profit or loss at inception. A financial liability is classified in this category if entered into principally for the purpose of selling in the short-term, if it eliminates an accounting mismatch or if it is managed by the NZ Banking Group on a fair value basis.

Derivative liabilities that do not meet the criteria for hedge accounting are classified as held for trading and measured at fair value through profit or loss.

Derivative liabilities
Derivative instruments are contracts whose value is derived from one or more underlying variables such as a special interest rate or index as defined in the contract. Derivative liabilities are measured at fair value through profit or loss.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

Note 1 – Accounting Policies (continued)

- The rights to receive cash flows from the asset have expired; or
- The NZ Banking Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either the NZ Banking Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the NZ Banking Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the NZ Banking Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the NZ Banking Group’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the NZ Banking Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Derivative financial instruments

The NZ Banking Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(e) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the NZ Banking Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(f) Asset quality
The NZ Banking Group recognises loss allowances for expected credit losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

- cash and cash equivalent;
- due from banks and other financial instruments;
- investment securities;
- loans and receivables; and
- loan commitments and financial guarantee contracts.

The NZ Banking Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Measurement of ECL
The expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. ECLs are measured over two different time horizons, depending on whether the credit risk of the financial assets has increased significantly since the exposure was first recognised:

- 12-month ECLs (Stage 1), which apply to the financial assets of which the credit risk does not increase significantly in current classification period comparing with the initial judgement;

Note 1 – Accounting Policies (continued)

12-month ECLs are defined as a portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. The standard explains further that the 12-month ECLs are a portion of the lifetime ECLs that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

- Lifetime ECLs (Stages 2 and 3), which apply to financial assets of which the credit risk does increase significantly in current classification period comparing with the initial judgement (Stage 2) or with objective impairment evidence (Stage 3).

  Lifetime ECLs are the losses that result from all possible default events over the expected life of a financial instrument. The Bank needs to estimate the risk of a default occurring on the financial instrument during its expected life.

ECLs are a probability-weighted estimate of the present value of cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of a default occurring used as the weights). The NZ Banking Group's approach leveraged the existing processes for the NZ Banking Group's loan portfolios that use the existing Internal Rating based and behavioural credit models. NZ IFRS 9 considers the calculation of ECL by multiplying the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"):

Probability of Default ("PD") –This is an estimate of the likelihood of default over a given time horizon (e.g. 12 months or lifetime). PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. PD is adjusted based on the results of the Internal Ratings-Based Approach, taking the forward-looking information into account to reflect the debtor's point-in-time ("PIT") PD under the current macroeconomic environment.

Loss Given Default ("LGD") –This is an estimate of the loss arising on default. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals.

Exposure at Default ("EAD") –This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

The ECL calculation considers all reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Each parameter is calibrated to reflect current and future macro- and micro- economic conditions and obligor-specific considerations.

The NZ Banking Group has reviewed its ECL model, updated the macroeconomic indicators and associated forward-looking factors and other data. The NZ Banking Group has introduced a new model for ECL for secured retail loans, details refer to pages 18 and 23.

<u>Criteria for determining significant increase in credit risk</u>
At each reporting date, the NZ Banking Group assesses whether or not the credit risk of the financial assets it holds has increased significantly since the initial recognition. The NZ Banking Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main consideration includes:

- regulatory and operating environment;
- internal and external credit risk gradings;
- debt-serving capacity, operating capabilities;
- contractual terms;
- contractual repayments overdue for more than 30 days.

The NZ Banking Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the reporting date to the risk of default at initial recognition to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments.

<u>Credit-impaired financial assets</u>
At each reporting date, the NZ Banking Group assesses whether financial assets carried at amortised cost are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the NZ Banking Group on terms that the NZ Banking Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Note 1 – Accounting Policies (continued)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the NZ Banking Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Forward-looking information

NZ IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since initial recognition. The NZ Banking Group is using three scenarios that are probability weighted to determine ECL. For retail loans the benchmarks include scenarios, the NZ Banking Group then applies judgement to the appropriateness to the modelled outcomes after considering its specific portfolio risk and the current and future economic environment.

The NZ Banking Group's ECL allowance methodology, requires the NZ Banking Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as other financial liabilities;

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the NZ Banking Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the NZ Banking Group's procedures for recovery of amounts due.

Measurement of impairment

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Reversal of impairment

If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

(g) Property, Plant and Equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment are as follows:

Classification	Estimated Useful Life	Estimated Residual Value	Annual Depreciation Rate
Office equipment, furniture and fittings	5 years	-	20%
Computer hardware	3 years	-	33.3%
Leasehold improvements	Lesser of 5 years or the remaining term of the lease	-	20%

Note 1 – Accounting Policies (continued)

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment losses.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial period end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

(h) Taxation
Income tax comprises current and deferred income tax. Income tax is recognised in the profit or loss except when it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

(ii) Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(i) Contingent liabilities and credit commitments
A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NZ Banking Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

The NZ Banking Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation. They are disclosed as contingent liabilities at their face value.

(j) Leases
The NZ Banking Group leases many assets, including properties, motor vehicles, and office equipment.

The NZ Banking Group recognises right-of-use assets and lease liabilities for most leases on balance sheet. However, the NZ Banking Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (less than 12 months). In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases.

Note 1 – Accounting Policies (continued)

The right-of-use assets is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be reliably determined, the NZ Banking Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability, and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(k) Share capital

(i) Share issue costs
Issued and paid up share capital is recognised at the fair value of the consideration received by the NZ Banking Group. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Cash flow hedge reserve
This reserve includes the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

(iii) Dividend distribution
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the NZ Banking Group's shareholders. Dividends for the year that are declared after the balance sheet date are addressed in the subsequent events note (if applicable).

(iv) Branch capital
The Branch's working capital is interest free and will be repayable at the discretion of the Branch.

(l) Goods and Services Tax ("GST")
The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable from the IRD. In these circumstances the GST component is recognised as part of the underlying item. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the IRD is included within these categories.

(m) Employee Benefits
Employee benefits refer to all forms of consideration and other related expenditure given by the NZ Banking Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the NZ Banking Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the NZ Banking Group will present them at their present value. The employee benefits in the financial statements are incurred by ICBC (NZ), who employs all staff.

(n) Change in Accounting Policies
Accounting policies are consistent with those applied in the Disclosure Statement for the year ended 31 December 2023.

The NZ Banking Group has applied, where relevant, all new or revised accounting standards and interpretations effective for the year ended 31 December 2024, noting these did not have a material impact on the financial statements.

(o) NZ IFRS Accounting Standards Issued but Not Yet Effective
In May 2024, the External Reporting Board issued NZ IFRS18 *Presentation and Disclosure in Financial Statements* ("NZ IFRS 18"). NZ IFRS18 replaces NZ IAS 1 *Presentation of Financial Statements* and will be effective for the Bank from 1 January 2027. NZ IFRS18 introduces enhanced presentation requirements in the financial statements, including new categories and subtotals in the income statement, disclosures about management-defined performance measures, and enhanced guidance on the grouping of information. The Bank is currently assessing the impact of this new standard.

There are no other new accounting standards or amendments to existing standards that are not yet effective which are expected to have a material impact on the Bank's financial statements.

(7) Comparative Financial Statements
Certain comparative balances have been reclassified to ensure consistency with the current financial year's presentation. These immaterial reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods. Disclosure Statement comparative affected is: Statement of Cash Flows, Note 21 Balance with Related Parties, Note 34 Financial Risk Management and Note 38 Notes to Statement of Cash Flows.

During the year ended 31 December 2024, the NZ Banking Group has adopted hedge accounting for interest rate swaps and cross currency interest rate swaps. The presentation of Note 15 Derivative Financial Instruments has been updated to reflect the NZ Banking Group's hedging derivatives.

Note 2 – Interest Income and Interest Expense

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Interest Income		
Loans and advances to customers	273,410	236,374
Government and local authority securities	20,180	16,896
Due from other financial institutions	641	5,974
Amounts due from related parties	251	661
Other securities	10,382	7,031
Cash and liquid assets	114	117
Total interest income	304,978	267,053
Interest expense		
Deposits from customers	43,981	31,994
Debt securities issued	32,464	37,710
Secured and unsecured borrowings	410	-
Amounts due to related parties	144,279	117,987
Lease liabilities	102	140
Interest expense on derivatives*	3,700	3,984
Other interest expenses	-	1
Total interest expense	224,935	191,816

*All interest income and interest expense are calculated using the effective interest method except interest expense on derivatives.

Note 3 – Net Gains/(Losses) on Financial Instruments at Fair Value through Profit or Loss

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Derivative financial instruments*	50,526	2,735
Total net gains/(losses) on financial instruments at fair value through profit or loss	50,526	2,735

* No interest and dividend income include in the net gains/(losses) on the derivative financial instruments.

Note 4 – Fees and Other Income

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Commission and other fee income/(losses)	(352)	526
Payment services fee income	995	818
Net gains/(losses) from foreign exchange and foreign exchange products*	(55,407)	1,917
Total other income	(54,764)	3,261

* Includes foreign exchange translations, foreign exchange gains/(losses) from trading for customers and realised gains/(losses) of FX swaps.

Note 5 – Operating Expenses

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Amortisation and Depreciation:		
Computer hardware	214	182
Office equipment	9	8
Furniture, fittings, and leasehold improvements	176	158
Total amortisation and depreciation	399	348
Employee benefits:		
Wages and salaries	16,810	15,552
Kiwi Saver Contribution	142	103
Other Employment-Related Expenses	745	635
Total employee benefits	17,697	16,290
Lease expenses:		
Amortisation of Right-of-use assets	1,491	1,529
Variable lease payments	18	15
Total lease expenses	1,509	1,544
Other expenses:		
Tax advisory services	163	135
Directors' fees	430	340
Professional consulting fee	1,209	1,116
Building occupation costs	471	461
Promotion and marketing costs	581	557
Membership fee	369	180
Other operating expenses	3,093	3,155
Total other expenses	6,316	5,944
Total operating expenses	25,921	24,126

Note 6 – Auditor's Remuneration

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Auditor's remuneration:		
Fees paid to auditor – Deloitte		
Audit and review of financial statements	66	353
Capital adequacy assurance services	8	15
Other assurance and agreed upon procedures*	-	15
Total fees paid to Deloitte	74	383
Fees paid to auditor – EY		
Audit and review of financial statements	191	-
Capital adequacy assurance services**	-	-
Other assurance and agreed upon procedures*	25	-
Total fees paid to EY	216	-

* Relates to the climate reporting pre-assessment and assurance services.

**The fees related to capital adequacy assurance services are included in the audit and review of financial statements fees above.

Note 7 – Impairment Allowance

Audited 31 December 2024

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Amounts due from related parties	Total as at 31 December 2024
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	443	24,304	140	2	2,870	-	27,759
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	732	-	-	-	381	-	1,113
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - Individual	-	274	-	-	-	-	-	274
Balance as at 31 December 2024	-	1,449	24,304	140	2	3,251	-	29,146

Audited 31 December 2023

Impairment allowance

Thousands of dollars	Other exposures excluding sovereigns and central banks	Retail Mortgage Lending	Corporate and institutional	Investment securities	Due from banks and other financial institutions	Loan commitments and financial guarantee contracts	Amounts due from related parties	Total as at 31 December 2023
Provision for credit impairment measured on a 12-month ECL (stage 1) - collective	-	344	20,577	105	1	2,799	-	23,826
Provision for credit impairment measured on a lifetime ECL not credit impaired (stage 2) - collective	-	1,922	3,439	-	-	766	-	6,127
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - collective	-	-	-	-	-	-	-	-
Provision for credit impairment measured on a lifetime ECL credit impaired (stage 3) - Individual	-	774	-	-	-	-	-	774
Balance as at 31 December 2023	-	3,040	24,016	105	1	3,565	-	30,727

Note 7 – Impairment Allowance (continued)

	Audited 31 December 2024				
Movement in provision for credit impairment	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Retail mortgage lending					
Balance at beginning of period	344	1,922	-	774	3,040
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	745	(745)	-	-	-
Transfer to stage 2	(10)	10	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	(636)	(455)	-	(500)	(1,591)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	443	732	-	274	1,449
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	-	-	-	-	-
Corporate and institutional					
Balance at beginning of period	20,577	3,439	-	-	24,016
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	839	(839)	-	-	-
Transfer to stage 2	(400)	400	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	(251)	539	-	-	288
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	20,765	3,539	-	-	24,304
Investment securities					
Balance at beginning of period	105	-	-	-	105
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	35	-	-	-	35
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	140	-	-	-	140

Note 7 – Impairment Allowance (continued)

Movement in provision for credit impairment	**Audited 31 December 2024** Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	1	-	-	-	1
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	2	-	-	-	2
Amount due from related parties					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	2,799	766	-	-	3,565
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	71	(385)	-	-	(314)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024*	2,870	381	-	-	3,251
Total Balance at beginning of period	23,826	6,127	-	774	30,727
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	1,584	(1,584)	-	-	-
Transfer to stage 2	(410)	410	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	(780)	(301)	-	(500)	(1,581)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total Balance as at 31 December 2024	24,220	4,652	-	274	29,146

*The provision for loan commitments and financial guarantee contracts is included in other liabilities (Note 24).

Note 7 – Impairment Allowance (continued)

	Audited 31 December 2023				
Movement in provision for credit impairment	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Retail mortgage lending					
Balance at beginning of period	2,677	420	-	904	4,001
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(469)	469	-	-	-
Transfer to stage 3	-	(420)	-	420	-
Charge/(recovery) to statement of comprehensive income in current year	(1,864)	1,453	-	(550)	(961)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	344	1,922	-	774	3,040
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	-	-	-	17	17
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	-	-	-	(17)	(17)
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	-	-	-	-	-
Corporate and institutional					
Balance at beginning of period	10,336	-	-	-	10,336
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(3,439)	3,439	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	13,680	-	-	(3,149)	10,531
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Balance as at 31 December 2023	20,577	3,439	-	-	24,016
Investment securities					
Balance at beginning of period	80	-	-	-	80
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	25	-	-	-	25
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	105	-	-	-	105

Note 7 – Impairment Allowance (continued)

Movement in provision for credit impairment	Audited 31 December 2023				
	Collective provision			Individual Provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	1	-	-	-	1
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	1	-	-	-	1
Amount due from related parties					
Balance at beginning of period	-	-	-	-	-
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	-	-	-	-	-
Provision for loan commitments and financial guarantee contracts					
Balance at beginning of period	1,652	-	-	-	1,652
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(766)	766	-	-	-
Transfer to stage 3	-	-	-	-	-
Charge/(recovery) to statement of comprehensive income in current year	1,913	-	-	-	1,913
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023*	2,799	766	-	-	3,565
Total Balance at beginning of period	14,745	420	-	921	16,086
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(4,674)	4,674	-	-	-
Transfer to stage 3	-	(420)	-	420	-
Charge/(recovery) to statement of comprehensive income in current year	13,755	1,453	-	(3,716)	11,492
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Total Balance as at 31 December 2023	23,826	6,127	-	774	30,727

*The provision for loan commitments and financial guarantee contracts is included in other liabilities (Note 24).

Note 7 – Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	**Audited 31 December 2024**				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Retail mortgage lending					
Balance at beginning of period	582,126	98,269	-	1,410	681,805
Net drawdown/(repayment)	114,064	(29,528)	-	-	84,536
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	38,106	(38,106)	-	-	-
Transfer to stage 2	(16,740)	16,740	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	717,556	47,375	-	1,410	766,341
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	2	-	-	-	2
Net drawdown/(repayment)	(2)	-	-	-	(2)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	-	-	-	-	-
Corporate and institutional					
Balance at beginning of period	2,499,830	181,722	-	-	2,681,552
Net drawdown/(repayment)	390,126	4,691	-	-	394,817
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	86,015	(86,015)	-	-	-
Transfer to stage 2	(39,462)	39,462	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	2,936,509	139,860	-	-	3,076,369
Investment securities					
Balance at beginning of period	232,627	-	-	-	232,627
Net purchase/(disposal)	21,181	-	-	-	21,181
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	253,808	-	-	-	253,808

Note 7 – Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2024				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	30,000	-	-	-	30,000
Net drawdown/(repayment)	(5,000)	-	-	-	(5,000)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	25,000	-	-	-	25,000
Amount due from related parties					
Balance at beginning of period	7,815	-	-	-	7,815
Net drawdown/(repayment)	(7,815)	-	-	-	(7,815)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2024	-	-	-	-	-
Total Balance at beginning of period	3,352,400	279,991	-	1,410	3,633,801
Net drawdown/(repayment)	512,554	(24,837)	-	-	487,717
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	124,121	(124,121)	-	-	-
Transfer to stage 2	(56,202)	56,202	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total Balance as at 31 December 2024	3,932,873	187,235	-	1,410	4,121,518
Commitments and financial guarantee contracts					
Balance at beginning of period	1,577,431	27,693	-	-	1,605,124
Net increase/(decrease) facilities	(167,929)	(8,248)	-	-	(176,177)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2024	1,409,502	19,445	-	-	1,428,947

Note 7 – Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2023				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Retail mortgage lending					
Balance at beginning of period	560,566	1,088	-	1,428	563,082
Net drawdown/(repayment)	119,829	-	-	(1,106)	118,723
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(98,269)	98,269	-	-	-
Transfer to stage 3	-	(1,088)	-	1,088	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	582,126	98,269	-	1,410	681,805
Other exposures excluding sovereigns and central banks					
Balance at beginning of period	4	-	-	17	21
Net drawdown/(repayment)	(2)	-	-	(17)	(19)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	2	-	-	-	2
Corporate and institutional					
Balance at beginning of period	2,436,719	-	-	-	2,436,719
Net drawdown/(repayment)	244,833	-	-	(3,149)	241,684
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(181,722)	181,722	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Balance as at 31 December 2023	2,499,830	181,722	-	-	2,681,552
Investment securities					
Balance at beginning of period	188,806	-	-	-	188,806
Net purchase/(disposal)	43,821	-	-	-	43,821
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	232,627	-	-	-	232,627

Note 7 – Impairment Allowance (continued)

Movement in corresponding gross carrying amounts by stages	Audited 31 December 2023				
	Collective provision			Individual provision	
Thousands of dollars	Stage 1	Stage 2	Stage 3	Stage 3	Total
Due from banks and other financial institutions					
Balance at beginning of period	40,000	-	-	-	40,000
Net drawdown/(repayment)	(10,000)	-	-	-	(10,000)
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	30,000	-	-	-	30,000
Amount due from related parties					
Balance at beginning of period	-	-	-	-	-
Net drawdown/(repayment)	7,815	-	-	-	7,815
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Balance as at 31 December 2023	7,815	-	-	-	7,815
Total Balance at beginning of period	3,226,095	1,088	-	1,445	3,228,628
Net drawdown/(repayment)	406,296	-	-	(4,272)	402,024
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(279,991)	279,991	-	-	-
Transfer to stage 3	-	(1,088)	-	1,088	-
Bad debts written off	-	-	-	-	-
Bad debts recovered	-	-	-	3,149	3,149
Total Balance as at 31 December 2023	3,352,400	279,991	-	1,410	3,633,801
Commitments and financial guarantee contracts					
Balance at beginning of period	1,242,813	-	-	-	1,242,813
Net increase/(decrease) facilities	362,311	-	-	-	362,311
Changes to the opening balance due to transfer between ECL stages					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(27,693)	27,693	-	-	-
Transfer to stage 3	-	-	-	-	-
Balance as at 31 December 2023	1,577,431	27,693	-	-	1,605,124

Note 8 – Taxation

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Net profit before taxation	51,465	45,615
Tax calculated at a tax rate of 28%	14,410	12,772
(Under)/over provision from prior period	2	-
Tax credits available	(17)	-
Other permanent differences	52	77
Taxation expense	14,447	12,849
Represented by:		
Current tax	13,498	15,761
Deferred tax	949	(2,912)
Taxation expense	14,447	12,849
Income tax recognised directly to equity		
Tax on net gains/(losses) on cash flow hedges recognised in equity	(398)	-
Total income tax recognised directly to equity	(398)	-
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:		
Employee entitlements	40	92
Accelerated depreciation	7	163
Allowances for impairment losses	443	(4,105)
Other provisions and accruals	8	5
Right-of-use assets	(411)	-
Lease liabilities	434	-
Other temporary differences	428	933
Total temporary differences	949	(2,912)

Imputation credits

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Balances available for use in subsequent reporting periods		
Imputation credit account	42,930	38,835

The above amount represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credit account that will arise from the payment of the amount of the provision for income tax.

Note 9 – Current and Deferred Taxation

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Current income tax (payable)/receivable		
Balance at beginning of the year	(8,900)	(4,722)
(Under)/over provision from prior period	146	19
Transfer from/(to) deferred tax	-	-
Current Year Tax charge	(13,501)	(15,780)
Tax in other comprehensive income	398	-
Refundable Tax credits	17	-
Tax paid in current year	16,653	11,583
Balance at end of the year	(5,187)	(8,900)
Deferred tax		
Balance at beginning of the year	9,800	6,888
Under/(over) provision from prior period	(149)	(19)
Temporary differences for the year	(961)	2,931
Balance at end of the year	8,690	9,800
Deferred tax assets		
Employee entitlements	236	263
Accelerated depreciation	188	196
Other provisions and accruals	16	24
Right-of-use assets	(1,039)	-
Lease liabilities	1,178	-
Other temporary differences	(42)	714
Allowance for loan impairment	8,161	8,603
Total deferred tax assets	8,698	9,800
Deferred tax liabilities		
Accelerated depreciation	-	-
Other temporary differences	(8)	-
Intangible assets	-	-
Total deferred tax liabilities	(8)	-
Net deferred taxation	8,690	9,800

These tax benefits relate solely to temporary differences and are only available to the NZ Banking Group if the income tax legislation's requirements are met, and the Banking Group continues to remain profitable.

Note 10 – Cash, Cash Equivalents and Balances with Central Banks

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Cash with central banks	320,681	609,671
Call and overnight advances to financial institutions	35,496	46,229
Total cash and cash equivalents	356,177	655,900

Note 11 – Due from Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Loan to NZ registered banks	24,998	29,999
Loan to overseas registered banks	-	-
Other	-	-
Total amount due from other financial institutions	24,998	29,999
Current	24,998	29,999
Non-Current	-	-

Note 12 – Offsetting financial assets and financial liabilities

The NZ Banking Group does not offset its financial assets and financial liabilities in the balance sheet.

Derivative assets and liabilities

Derivative financial instrument contracts are typically subject to International Swaps and Derivatives Association ("ISDA") master netting agreements.

Audited 31 December 2024 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments not offset	Net Amount
Financial Assets			
Derivative financial instruments	49,711	(2,153)	47,558
	49,711	(2,153)	47,558
Financial Liabilities			
Derivative financial instruments	4,556	(2,153)	2,403
	4,556	(2,153)	2,403

Audited 31 December 2023 Thousands of dollars	Gross amount of financial instruments in the statements of financial position	Related financial instruments not offset	Net Amount
Financial Assets			
Derivative financial instruments	4,771	(1,761)	3,010
	4,771	(1,761)	3,010
Financial Liabilities			
Derivative financial instruments	11,726	(1,761)	9,966
	11,726	(1,761)	9,966

Note 13 – Investment Securities

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Local authority securities	88,933	56,329
Other debt securities	164,735	176,193
Total investment securities	253,668	232,522
Current	55,081	51,893
Non-Current	198,587	180,629

Note 14 – Loans and Advances to Customers

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Residential mortgage loans	766,341	681,805
Corporate exposures	3,076,369	2,681,552
Credit Cards	-	2
Other exposures	-	-
Allowance for impairment losses	(25,753)	(27,056)
Total net loans and receivables	3,816,957	3,336,303
Current	547,673	634,888
Non-Current	3,269,284	2,701,415

Note 15 – Derivative Financial Instruments

Derivative financial instruments held by the NZ Banking Group are categorised as follows:

Held for trading - derivatives held in order to:

- meet customer's need.
- manage risks in the NZ Banking Group that are not in a designated hedge accounting relationship.

Held for hedging - derivatives held for risk management purpose, which meet the criteria for hedge accounting.

Economic hedges - derivatives which are used in balance sheet risk management activities but do not quality for hedge accounting.

(a) Derivative Financial Instruments

The following table shows the NZ Banking Group's derivative financial instruments which are classified as held for trading:

Thousands of dollars	Audited 31 December 2024			Audited 31 December 2023		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Held for trading						
- Interest rate swaps	515,708	4,468	4,293	262,441	3,283	3,149
Fair value hedges						
- Interest rate swaps	50,000	1,973	-	-	-	-
Dual fair value and cashflow hedges						
- Cross currency interest rate swaps	121,250	5,257	-	-	-	-
Economic hedges						
- Interest rate swaps	-	-	-	100,000	-	2,100
- FX swaps	682,624	36,213	263	340,362	1,488	6,477
- Cross currency interest rate swaps	53,190	1,800	-	-	-	-
Total derivative financial instruments		49,711	4,556		4,771	11,726

(b) Information on Derivative Financial Instruments which are Held for Hedging

Hedged Risks
The NZ Banking Group's risk management strategy specifically with respect to hedge accounting is to minimise Income Statement volatility. Hedge accounting is applied for the following risk categories:

- Interest rate risk, which arises due to a mismatch between fixed and floating interest rates on assets and liabilities.
- Foreign currency risk, which stems from discrepancies in foreign currency asset and liability positions.

Fair Value Hedges
Fair value hedges protect the NZ Banking Group from changes in fair value due to movements in market interest rate. The NZ Banking Group uses interest rate swaps to swap the fixed interest rate exposures of fixed rate assets and liabilities into variable rate exposures. The objective of the hedge is consistent with the NZ Banking Group's overall interest rate risk management strategy of transforming all new issued debt into floating rate, and thereafter managing the exposure to interest rate risk through the proportion of fixed and floating rate net debts in its total debt portfolio.

Note 15 – Derivative Financial Instruments (continued)

When the hedged item in a fair value hedge is measured at amortised cost, any hedge adjustment to its carrying amount is amortised to profit or loss. The amortisation is based on a recalculated effective interest rate at the date when amortisation begins. The NZ Banking Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised adjustment to carrying amount is recorded in profit or loss.

Cash Flow Hedges
Cash flow hedges protect the Bank from changes to cash flows arising from foreign currency risk. The Banks hedges fixed rate foreign currency denominated liabilities using cross currency swaps, designated as fair value hedges of interest rates and cash flow hedges of foreign exchange rates.

The effective portion of changes in the fair value of derivatives designated as a cash flow hedge is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income. When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gains or losses existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

During the year ended 31 December 2024, the NZ Banking Group has adopted hedge accounting for
- Fair value hedge on interest rate swaps.
- Dual fair value and cash flow hedge on cross currency interest rate swaps.

Hedge Relationships and Effectiveness
At inception of all hedge relationships the NZ Banking Group documents the relationship between the hedging instrument and the hedged item, the risk being hedged, the NZ Banking Group's risk management objective and strategy and how effectiveness will be measured throughout the hedge relationship. The NZ Banking Group measures hedge effectiveness on a prospective basis at inception.

Hedge ratio is determined by comparing notional amount of the hedging instruments and hedged items, which is in line with the risk management objective. The designated hedge ratio is 1:1 with same notional amount in both the hedging instruments and hedged items. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The ineffectiveness is assessed based on actual offset between the changes in fair value of the hedging instrument and the underlying exposure. The degree of offset is calculated by Dollar offset test method.

The following potential sources of hedge ineffectiveness are identified:
a) Non-zero fair valuation of hedging instrument
b) Changes in the contractual terms and timing of the payment of the hedged item
c) Credit / debit valuation adjustments
d) A change in the credit risk of NZ Banking Group or Counterpart
e) Pricing mechanism of physical and instrument different

(c) Hedged Items in Fair Value Hedge Accounting Relationships

Audited 31 December 2024		Carrying Amount		Accumulated Fair Value Adjustment	
Thousands of dollars	Risk categorisation	Assets	Liabilities	Assets	Liabilities
Medium term note at fixed interest rate	Interest rate risk	-	51,975	-	1,973
Medium term note at fixed interest rate	Currency risk	-	121,172	-	1,419
	Interest rate risk			6,676	-
Total		**-**	173,147	6,676	3,392

Note 15 – Derivative Financial Instruments (continued)

(d) Hedged Ineffectiveness

Audited 31 December 2024

Thousands of dollars	Change in value of hedging instruments	Change in value of hedged items	Hedge ineffectiveness
Fair value hedges			
Interest rate risk	1,973	2,046	(73)
Currency risk	(1,419)	(1,419)	-
Interest rate risk	6,676	6,769	(93)
Total	7,230	7,396	(166)

The notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts of risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the company in an orderly market transaction at balance sheet date.

(e) Cash Flow Hedge Reserve (Currency Risk)

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Losses recognised in other comprehensive income	(1,419)	-
Total	(1,419)	-

Note 16 – Subsidiaries

As at 31 December 2024, the Branch and ICBC (NZ) do not have any subsidiaries (31 December 2023: Nil).

Note 17 – Property, Plant & Equipment

Audited 31 December 2024

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, Fittings & Leasehold Improvements	Total
Opening carrying amount	428	26	506	960
Additions	43	-	-	43
Disposals	-	-	-	-
Depreciation	(214)	(9)	(176)	(399)
Closing carrying amount	257	17	330	604

Audited 31 December 2023

Thousands of dollars	Computer Hardware	Office Equipment	Furniture, Fittings & Leasehold Improvements	Total
Opening carrying amount	329	30	643	1,002
Additions	281	4	21	306
Disposals	-	-	-	-
Depreciation	(182)	(8)	(158)	(348)
Closing carrying amount	428	26	506	960

Note 18 – Leases

Audited 31 December 2024

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-use assets				
Balance as at 31 December 2023	5,063	92	23	5,178
Additions	-	-	-	-
Adjustment due to lease review	25	-	-	25
Disposals	-	-	-	-
Depreciation	(1,440)	(45)	(6)	(1,491)
Balance as at 31 December 2024	3,648	47	17	3,712
Lease Liabilities				
Balance as at 31 December 2023	5,640	95	26	5,761
Additions	-	-	-	-
Adjustment due to lease review	25	-	-	25
Disposals	-	-	-	-
Lease payments	(1,623)	(49)	(8)	(1,680)
Interest expense on lease liabilities	96	4	2	102
Balance as at 31 December 2024	4,138	50	20	4,208

Audited 31 December 2023

Thousands of dollars	Real estate	Motor Vehicles	Office Equipment	Total
Right-of-use assets				
Balance as at 31 December 2022	6,304	91	29	6,424
Additions	-	62	-	62
Adjustment due to lease review	238	-	-	238
Disposals	-	(17)	-	(17)
Depreciation	(1,479)	(44)	(6)	(1,529)
Balance as at 31 December 2023	5,063	92	23	5,178
Lease Liabilities				
Balance as at 31 December 2022	6,907	93	33	7,033
Additions	-	62	-	62
Adjustment due to lease review	238	-	-	238
Disposals	-	(17)	-	(17)
Lease payments	(1,638)	(48)	(9)	(1,695)
Interest expense on lease liabilities	133	5	2	140
Balance as at 31 December 2023	5,640	95	26	5,761

The NZ Banking Group's lease portfolio:

Real estate leases

Head Office: The NZ Banking Group leases its head office. In 2020, the NZ Banking Group opted to extend the lease for a further 8 years, and no further rights of renewal were granted. The lease payments have increased by 3.25% every year.

Branch Office: The NZ Banking Group leases its branch office. In 2019, the NZ Banking Group opted to extend the lease for a further 6 years, and no further rights of renewal were granted. The lease payments are adjusted every year, based on the change in the consumer price index in the preceding year.

BCP Office: There is a 5 years' lease of BCP office started on 21 February 2020, which has option to extend the lease for a further 5 years.

Leases of vehicles The NZ Banking Group leases vehicles that are used mainly for staff's daily business transport. The non-cancellable lease terms are between three to four years with fixed lease payments.

Leases of office equipment The NZ Banking Group leases some office equipment. The non-cancellable period of the lease is 5 years, with fixed lease payments.

Note 19 – Other Assets

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Other receivables	1,740	1,497
Commissions receivable	-	-
Interest receivable	19,759	20,754
Trade and other receivables	21,499	22,251
Current	21,392	22,010
Non-Current	107	241

Note 20 – Due to Central Banks and Other Financial Institutions

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Loans from other banks	-	-
Loans from central bank	-	-
Items in course of settlement	1	1
ATM cash at other banks	-	-
Total due to other financial institutions	1	1
Current	1	1
Non-Current	-	-

Note 21 – Balances with Related Parties

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Ultimate parent		
Cash and cash equivalent	10,310	5,224
Due from related parties	-	7,815
Derivative financial instruments	36,213	-
Other assets	-	208
Controlled entities of ultimate parent		
Cash and cash equivalent	3,798	2,018
Derivative financial instruments	7,057	-
Total due from related parties	**57,378**	**15,265**
Current	50,321	15,265
Non-Current	7,057	-
Ultimate parent		
Cash and cash equivalent	70,894	58,943
Due to related parties*	2,419,925	2,330,058
Derivative financial instruments	180	6,477
Interest payable	25,028	29,658
Controlled entities of ultimate parent		
Cash and cash equivalent	12,576	814
Interest payable	27	3
Total amount due to related parties	2,528,630	2,425,953
Current	1,850,683	1,581,225
Non-Current	677,947	844,728

* The borrowings at amortised cost from ultimate parent.

Transactions between the NZ Banking Group and the related parties were conducted under normal commercial terms and conditions and priced based on market rates.

Note 22 – Deposits from Customers

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Demand deposits not bearing interest	72,613	48,764
Demand deposits bearing interest	14,953	14,243
Term deposits	799,292	637,485
Total deposits	886,858	700,492
Current	859,655	685,366
Non-Current	27,203	15,126

Note 23 – Certificates of Deposit and Debt Securities Issued

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Certificates of deposit (CDs)	93,031	106,057
Other debt securities	525,862	599,732
Total debt securities issued	618,893	705,789
Current	267,952	406,042
Non-Current	350,941	299,747

Audited
31 December 2024
Certificates of deposits (CDs) issued

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	4.87 (fixed)	24 April 2025	30,000	29,289	29,289
New Zealand Dollar	4.8633 (fixed)	15 April 2025	40,000	39,211	39,211
New Zealand Dollar	4.8121(fixed)	15 April 2025	25,000	24,531	24,531
				93,031	93,031

Audited
31 December 2023
Certificates of deposits (CDs) issued

Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	6.22 (fixed)	27 February 2024	23,000	21,653	21,653
New Zealand Dollar	6.22 (fixed)	27 February 2024	5,000	4,707	4,707
New Zealand Dollar	6.75 (fixed)	26 September 2024	10,000	9,368	9,405
New Zealand Dollar	6.26 (fixed)	15 January 2024	20,000	19,682	19,682
New Zealand Dollar	6.22 (fixed)	27 February 2024	2,000	1,883	1,883
New Zealand Dollar	6.235 (fixed)	19 January 2024	20,000	19,694	19,694
New Zealand Dollar	6.315(fixed)	22 April 2024	30,000	29,070	29,070
				106,057	106,094

On 5 February 2024, S&P Global Ratings confirmed a credit rating of "A-1" for Industrial and Commercial Bank of China (New Zealand) Limited's Certificate of Deposit Programme.

Note 23 – Certificates of Deposit and Debt Securities Issued (continued)

Medium term notes issued			**Audited 31 December 2024**			**Audited 31 December 2023**		
Issue Currency	Coupon Rate %	Maturity Date	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000	Face Value Issue Currency $'000	Carrying Value NZ $'000	Fair Value NZ $'000
New Zealand Dollar	2.61 (fixed)	27 June 2024	-	-	-	100,000	99,984	99,984
New Zealand Dollar	3 month NZD BKBM+68bp*	29 February 2024	-	-	-	200,000	200,000	200,000
New Zealand Dollar	3 month NZD BKBM+110bp*	26 May 2025	175,000	174,921	174,922	175,000	174,873	174,873
New Zealand Dollar	3 month NZD BKBM+115bp*	2 June 2026	75,000	74,930	74,930	75,000	74,887	74,887
New Zealand Dollar	3 month NZD BKBM+115bp*	2 June 2026	50,000	50,001	50,001	50,000	49,988	49,988
New Zealand Dollar	5.784(fixed)	9 April 2029	50,000	51,975	51,091			
Chinese Yuan	2.93(fixed)	26 July 2027	500,000	121,172	121,876			
United State Dollar	3 month USD SOFR+55bp*	17 December 2027	30,000	52,863	52,863			
				525,862	525,683		599,732	599,732

* The debt securities are repriced every three months.

On 5 February 2024, S&P Global Ratings confirmed a credit rating of "A" for Industrial and Commercial Bank of China (New Zealand) Limited's Medium Term Note Programme.

Note 24 – Other Liabilities

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Employee entitlements Accrued	1,486	1,264
Accounts payable	1,442	924
Interest payable	48,702	50,815
Provision for impairment on loan commitments and financial guarantee contracts	3,251	3,565
Deferred revenue	2,782	5,427
Approved Issuer Levy	2,003	-
Other payables and accruals	3,518	416
Total other liabilities	63,184	62,411
Current	57,297	59,742
Non-Current	5,887	2,669

Note 25 – Branch's Head Office Account

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Branch capital	84,000	84,000
Retained earnings/(losses)	43,326	26,834
Total Branch's head office account	127,326	110,834

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Branch capital		
Balance at the start of the period	84,000	84,000
Contributions during the period	-	-
Balance at the end of the period	84,000	84,000

Head office account comprises funds provided by the Overseas Bank to support its New Zealand branch. It is non-interest bearing and there is no fixed date for repatriation.

Note 26 – Other Members of NZ Banking Group's Equity

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Share capital	233,540	233,540
Cash flow hedge reserve	(1,021)	-
Retained earnings	103,998	83,472
Total equity	336,517	317,012

	31 December 2024	**31 December 2023**
Equity	Number of shares	Number of shares
Number of shares at the start of the period	233,539,975	233,539,975
Shares issued during the period	-	-
Number of shares at the end of the period	233,539,975	233,539,975

The NZ Banking Group has equal voting rights and share equally in dividends and any profits on winding up. Shares do not have a par value.

Note 27 – Asset Quality

The Bank has disclosed certain component of its loan portfolio as impaired assets according to the classification below:

- Individually assessed provision is the allowance assessed individually against impaired credit exposures.
- Collective assessed provision is to both assess the staging of exposures and measure a loss allowance on a collective basis, the Bank groups its exposures on the basis of shared credit risk characteristics.

The NZ Banking Group assesses the impairment of financial assets classified into stage 1 and stage 2 collectively, and assesses the impairment of stage 3 financial assets individually.

A past due asset not impaired is any credit exposure where a counterparty has failed to make a payment when contractually due, but is not impaired. The provision of a past due asset is assessed collectively.

Audited 31 December 2024	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	-	760,335	3,076,369	3,836,704
Past due assets not impaired				
Less than 30 days past due	-	1,049	-	1,049
At least 30 days but less than 60 days past due	-	1,381	-	1,381
At least 60 days but less than 90 days past due	-	837	-	837
At least 90 days past due	-	1,329	-	1,329
Total past due assets not impaired	-	4,596	-	4,596
Individually impaired assets				
Balance at beginning of the year	-	1,410	-	1,410
Additions	-	-	-	-
Amounts recovered	-	-	-	-
Amounts written off		-	-	-
Deletions	-	-	-	-
Total individually impaired assets	-	1,410	-	1,410
Total gross loans and advances	-	766,341	3,076,369	3,842,710
Individually assessed provisions				
Balance at beginning of the year	-	774	-	774
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	-	-	-
Reversals of previously recognised impairment losses	-	(500)	-	(500)
Amounts recovered	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the period	-	274	-	274
Collectively assessed provisions				
Balance at beginning of the year	-	2,266	24,016	26,282
Charge/(credit) to the statement of comprehensive income	-	(1,091)	288	(803)
Other movements	-	-	-	-
Balance at end of the year	-	1,175	24,304	25,479
Total provisions for impairment losses	-	1,449	24,304	25,753
Net balance at end of the year	-	764,892	3,052,065	3,816,957

Note 27 – Asset Quality (continued)

Audited 31 December 2023	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate and institutional exposures	Total
Thousands of dollars				
Total neither past due nor impaired	2	677,031	2,681,552	3,358,585
Past due assets not impaired				
Less than 30 days past due	-	3,364	-	3,364
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	3,364	-	3,364
Individually impaired assets				
Balance at beginning of the year	17	1,428	-	1,445
Additions	-	-	-	-
Amounts recovered	-	-	3,149	3,149
Amounts written off		-	-	-
Deletions	(17)	(18)	(3,149)	(3,184)
Total individually impaired assets	-	1,410	-	1,410
Total gross loans and advances	2	681,805	2,681,552	3,363,359
Individually assessed provisions				
Balance at beginning of the year	17	904	-	921
Charge/(credit) to the statement of comprehensive income:				
New provisions	-	-	-	-
Reversals of previously recognised impairment losses	(17)	(130)	(3,149)	(3,296)
Amounts recovered	-	-	3,149	3,149
Amounts written off	-	-	-	-
Balance at end of the period	-	774	-	774
Collectively assessed provisions				
Balance at beginning of the year	-	3,097	10,336	13,433
Charge/(credit) to the statement of comprehensive income	-	(831)	13,680	12,849
Other movements	-	-	-	-
Balance at end of the year	-	2,266	24,016	26,282
Total provisions for impairment losses	-	3,040	24,016	27,056
Net balance at end of the year	2	678,765	2,657,536	3,336,303

The NZ Banking Group does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 December 2024 (31 December 2023: nil). Therefore, the NZ Banking Group does not have any such collateral sold or re-pledged and does not have an obligation to return it.

Undrawn balances on lending commitments to counterparties were $1,428M as at 31 December 2024 (31 December 2023: $1,605M).

The NZ Banking Group is wholly owned by the Industrial and Commercial Bank of China Limited, a company incorporated in China. No related party debts have been written off or forgiven during the period.

Note 28 – Transactions with Related Parties

(a) Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the NZ Banking Group are defined as the Directors and members of the senior executive team of the NZ Banking Group. The information relating to the key management personnel disclosed in the tables below includes transactions with those individuals, their close family members and their controlled entities.

(i) Key Management Personnel Compensation

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Salaries and other short-term benefits	2,301*	2,361*
Other benefits	-	-
Total key management compensation	2,301*	2,361*

* Key management personnel compensation was incurred and paid by ICBC (NZ), who employed all staff.

(ii) Key Management Personnel Deposits and Loans with the NZ Banking Group

Audited 31 December 2024

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	1,647	(288)	1,359	(56)
Loans and Advances	-	-	-	-
Total	1,647	(288)	1,359	(56)

Audited 31 December 2023

Thousands of dollars	Opening Balance	Movement during the year	Closing Balance	Interest Received/ (Paid) by the Bank
Deposits	1,024	623	1,647	(72)
Loans and Advances	-	-	-	-
Total	1,024	623	1,647	(72)

The above deposits, loans and advances (including interest rates and collateral) transactions were conducted in the normal course of business and on commercial terms and conditions.

The NZ Banking Group issued credit cards to ICBC (NZ)'s directors and senior management, and the Chief Executive of the Branch with total of $50K credit limit (31 December 2023: $50K). The amount owed on the card at 31 December 2024 was nil (31 December 2023: nil).

(b) Guarantees

The NZ Banking Group's ultimate parent company is the Industrial and Commercial Bank of China Limited, a Chinese incorporated bank (ICBC). ICBC is subject to regulatory oversight by the National Financial Regulatory Administration ("NFRA") under its rules and guidelines.

All the obligations of ICBC (NZ) are guaranteed by ICBC. There are no legislative, regulatory or other restrictions of a legally enforceable nature in China (ICBC's country of incorporation) that may materially inhibit the legal ability of ICBC to provide material financial support to the Bank.

As at the date of signing this disclosure statement, ICBC has the following credit rating applicable to its long-term senior unsecured obligations:

Rating Agency/Rating Results	**Moody's Investors Service, Inc.**	**Standard & Poor's Global Ratings**	**Fitch Ratings Ltd.**
Long-term Foreign Currency Bank Deposits Rating	A1 (Upper-medium grade and low credit risk)	A (Strong capacity to meet obligations but subject to adverse economic conditions)	A (Strong capacity to meet obligation but vulnerable to adverse business or economic conditions)
Short-term Foreign Currency Bank Deposits Rating	P-1 (Superior ability to repay short-term debt)	A-1 (Strong capacity to meet the financial commitments on the obligations)	F1+ (Strongest capacity for timely payment of financial commitments)
Outlook	Negative	Stable	Negative

Note 28 – Transactions with Related Parties (continued)

ICBC guarantees due payment of all obligations of ICBC (NZ) to the ICBC (NZ)'s depositors and other creditors.

(i) There are no limits on the amount of the obligations guaranteed.

(ii) Termination of the guarantee under any of the circumstances outlined in clause 6 Termination of the Guarantee is subject to satisfaction of the relevant obligations in respect of each creditor which have been incurred on or prior to the date of termination.

(iii) There are no material legislative or regulatory restrictions in China that would have the effect of subordinating the claims of the ICBC (NZ)'s creditors under the guarantee to other claims on ICBC in a winding up of ICBC.

(iv) The ICBC guarantee does not have an expiry date.

(c) Related party transactions

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Interest income on amount due from related entities		
Ultimate parent	251	661
Subsidiaries of ultimate parent	-	-
Total interest income on amount due from related entities	251	661
Interest expense on amount due to related entities		
Ultimate parent	139,360	117,987
Subsidiaries of ultimate parent	315	44
Total interest expense on amount due to related entities	139,675	118,031
Other operating income		
Gains/(losses) on derivative contracts with ultimate parent	(31,584)	274
Gains/(losses) on derivative contracts with subsidiaries of ultimate parent	-	625
Other income	-	-
Total other operating income	(31,584)	899
Other operating expense		
Other operating expense paid to ultimate parent	95	92

Interest payable to parent as at 31 December 2024 was $25,028K (31 December 2023: $29,658K), and interest payable to subsidiaries of the ultimate parent was $27K (31 December 2023: $3K). This is included in interest payable balance and interest paid expense.

Overseas Bank includes ICBC Head Office and other branches.

There are no loans guaranteed by related parties (31 December 2023: nil).

Note 29 – Concentration of Credit Risk

The following table breaks down the NZ Banking Group's main credit exposures at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows:

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Government	410,356	666,622
Finance (including banks)	325,130	328,200
Households	768,473	683,649
Transport and storage	153,358	32,032
Communications	71,979	72,968
Accommodation & food services	69,886	72,176
Construction	174,622	215,060
Property services	1,356,443	1,362,949
Agriculture	7,751	6,855
Forestry, fishing and mining	27,205	63,413
Health and community services	377,730	324,878
Retail and wholesale trade	95,096	65,184
Manufacturing	279,533	57,441
Education	69,855	72,997
Administration and support services	-	-
Electricity, Gas & Water	305,316	253,259
Forestry	31,085	-
Other Industries	39,022	46,053
Less: allowance for impairment provisioning	(25,895)	(27,162)
Total financial assets	4,536,945	4,296,574
Less: non-interest earning financial assets	(73,403)	(42,149)
Total interest earning and discount bearing financial assets	4,463,542	4,254,425

An analysis of financial assets by geographical sector at balance date is as follows:

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
New Zealand	4,318,145	4,052,375
Overseas	218,800	244,199
Total financial assets	4,536,945	4,296,574

Note 29 – Concentration of Credit Risk (continued)

Maximum Exposure to Credit Risk - On and Off Balance Sheet

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Loans and advances to customers	3,816,957	3,336,303
Derivative financial instruments	4,468	1,852
Trade and Other Receivables	-	-
Other financial assets	18,995	19,436
On Balance Sheet Credit Exposures (excluding credit exposure to connected parties and banks with long-term credit rating of A- or A3 or above)	3,840,420	3,357,591
Cash and cash equivalents	356,177	655,900
Amounts due from related parties	14,108	15,057
Due from other financial institutions	24,998	29,999
Investment securities	253,668	232,522
Derivative financial instruments	45,243	2,919
Loans and advances to customers	-	-
Tax Receivable	-	-
Other financial assets	2,331	2,586
Total on Balance Sheet Credit Exposures	4,536,945	4,296,574
Off Balance Sheet Exposures	1,428,947	1,610,767
Total Off Balance Sheet Credit Exposures	1,428,947	1,610,767

The credit exposures shown are based on actual credit exposures and are calculated net of allowances for impairment loss.

As at 31 December 2024, 48.84% of the NZ Banking Group’s mortgage portfolio was owner-occupied residential properties (31 December 2023: 50.04%).

As at the reporting date, of the drawn balances on credit facilities with undrawn commitments, there are none that are classified as individually impaired, or balances under administration (31 December 2023: nil).

Note 30 – Concentration of Funding

Concentrations of funding arise where the NZ Banking Group is funded by industries of a similar nature or in particular geographies. An analysis of financial liabilities by industry sector and geography at balance date is as follows:

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
New Zealand		
Transport and storage	22,670	21,155
Financing investment and insurance	712,303	814,490
Electricity, gas and water	309	415
Food and other manufacturing	1,522	1,081
Construction	11,583	16,047
Communication	166	139
Government, local authorities and services	84,536	52,285
Agriculture	4	11
Forestry	870	8,194
Health and community services	257	52
Property and business services	13,791	29,544
Education	33,416	25,718
Retail and wholesale trade	10,391	3,019
Art and recreational service	15,330	30,626
Accommodation and food services	18	655
Other	8,633	8,415
Households	196,735	145,116
Overseas		
Amounts due to related parties	2,528,629	2,419,476
Financing investment and insurance (not including ICBC group)	306,505	205,054
Households	128,729	93,252
Other deposits	2,514	1,016
Total financial liabilities	4,078,911	3,875,760
Less: non-interest bearing financial liabilities	(140,216)	(122,667)
Total interest and discount bearing liabilities	3,938,695	3,753,093

An analysis of financial liabilities by funding type at balance date is as follows:

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Deposits from customers	886,858	700,492
Registered Banks	1	1
Derivative financial liabilities	4,556	11,726
Certificates of deposit	93,031	106,057
Debts securities issued	525,862	599,732
Amounts due to related parties	2,503,394	2,389,815
Lease liabilities	4,208	5,761
Other	61,001	62,176
Total financial liabilities	4,078,911	3,875,760

Note 31 – Capital Commitments

As at 31 December 2024, there were nil capital commitments (31 December 2023: nil).

Note 32 – Contingent Liabilities and Commitments

Thousands of dollars	Audited 31 December 2024	Audited 31 December 2023
Performance guarantees issued on behalf of customers	-	5,642
Total contingent liabilities	-	5,642
Undrawn Commitments	1,428,947	1,605,125

Note 33 – Subsequent Events after Balance Sheet Date

There were no subsequent events after balance date which would materially affect the financial statements.

Note 34 – Financial Risk Management

A. Introduction
The NZ Banking Group is committed to the management of financial risk to achieve sustainability of service, employment and profits and therefore takes on controlled amounts of financial risks when considered appropriate.

The primary financial risks of the NZ Banking Group are credit, liquidity, interest rate, foreign exchange, operational risk, conduct risk, and reputation risks.

The Board of Directors is responsible for the review and ratification of the NZ Banking Group's systems of risk management, internal compliance and control, code of conduct and legal compliance.

The Board maintains a formal set of delegated authorities that clearly define the responsibilities delegated to Management and those retained by the Board. Credit and Treasury delegated authorities are contained within their respective policy documents. The Board approves these delegated authorities and reviews them annually.

Management formally reports on key credit, treasury and operational risks to the Board on a monthly basis. In addition, the following management committees review and manage key risks:

- The Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress; and
- The Risk Management Committee meets monthly to consider, monitor and review exposure to interest rate risk, liquidity risk, foreign currency risk, and credit risk.

There has been no external review of the risk management systems during the period.

B. Credit Risk
Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The NZ Banking Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the NZ Banking Group's credit risk management function include:

1. Centralised credit management procedures; and
2. Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval and granting of loan and post-disbursement loan monitoring.

Credit risk incorporates the risks associated with the NZ Banking Group lending to customers who could be impacted by climate change or by changes to laws or regulations that pertain to climate change. The NZ Banking Group seeks to consider all identifiable credit risk when it considers new loans. Additionally, the Bank is applying a risk-based approach to the management of the risks and opportunities associated with climate change. The Bank’s climate risk appetite is designed to ensure that it can effectively manage and mitigate climate-related risk 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. As at the year ended 31 December 2024, the NZ Banking Group’s credit evaluation policies and procedures have not identified material new risks that stem from climate change that could be expected to lead to a shift in the probability of default or loss given default of loan facilities.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the NZ Banking Group also makes available to its customers guarantees which may require the NZ Banking Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the NZ Banking Group to similar risks to loans and these are mitigated by the same control processes and policies.

The NZ Banking Group will enter into master agreements which provides the contractual framework within which derivative dealing activities are conducted. Under each of these agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Refer to Note 29 on the disclosure of concentration of credit risk of counterparties by geographical and sector.

Note 34 – Financial Risk Management (continued)

C. Liquidity Risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the needs of asset growth or repayment of debts due, although remaining solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The NZ Banking Group manages its liquidity risk through the Treasury Department and aims at:
1. Optimising the structure of assets and liabilities;
2. Maintaining the stability of the deposit base;
3. Projecting cash flows and evaluating the level of current assets; and
4. Maintaining an efficient internal fund transfer mechanism/agreement with the Parent Bank for liquidity.

The tables below summarise the cash flows payable or receivable by the NZ Banking Group under financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows and include both principal and associated future interest payments and therefore will not agree to the carrying values on the balance sheet. Actual cash flows can differ significantly from contractual cash flows as a result of future events.

Accrued interest within the other financial assets/liabilities captions in the statement of financial position is included in this table in the row in which the related financial instrument is presented.

Audited 31 December 2024	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	83,910	1,250,962	561,923	721,991	-	2,618,786
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	91,953	279,301	523,032	31,786	-	926,072
Certificates of deposit	-	-	95,000	-	-	95,000
Debt securities issued	-	4,782	190,998	375,510	-	571,290
Lease liabilities	-	425	1,003	2,904	20	4,352
Other financial liabilities	-	3,602	2,664	-	-	6,266
Total financial liabilities	175,864	1,539,072	1,374,620	1,132,191	20	4,221,767
Derivative cash flows						
Inflows from derivatives	-	7,928	19,905	238,622	-	266,455
Outflows from derivatives	-	(10,472)	(20,839)	(234,842)	-	(266,153)
Total	-	(2,544)	(934)	3,780	-	302
Off balance sheet cash flows						
Financial guarantees outflows	-	-	-	-	-	-
Commitments outflows	(1,428,947)	-	-	-	-	(1,428,947)
Total	(1,428,947)	-	-	-	-	(1,428,947)

Note 34 – Financial Risk Management (continued)

Audited 31 December 2023	On Demand	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
Thousands of dollars						
Financial liabilities						
Due to central banks and other financial institutions	1	-	-	-	-	1
Amounts due to related parties	60,278	648,502	943,934	897,913	-	2,550,627
Derivative Financial Liabilities	-	-	-	-	-	-
Deposits from customers	64,231	296,830	353,597	17,273	-	731,931
Certificates of deposit	-	70,000	40,000	-	-	110,000
Debt securities issued	-	208,189	116,480	318,532	-	643,201
Lease liabilities	-	394	1,187	5,028	789	7,398
Other financial liabilities	-	494	1,875	-	-	2,369
Total financial liabilities	124,510	1,224,409	1,457,073	1,238,746	789	4,045,527
Derivative cash flows						
Inflows from derivatives	-	157,488	70,307	18,004	3,279	249,078
Outflows from derivatives	-	(156,189)	(69,356)	(17,907)	(3,264)	(246,716)
Total	-	1,299	951	97	15	2,362
Off balance sheet cash flows						
Financial guarantees outflows	-	-	5,642	-	-	5,642
Commitments outflows	1,605,125	-	-	-	-	1,605,125
Total	1,605,125	-	5,642	-	-	1,610,767

Liquidity portfolio management

Thousands of dollars	**Audited 31 December 2024**	**Audited 31 December 2023**
Cash, cash equivalents and balances with central banks	356,177	663,142
Amounts due from related parties	14,108	-
Due from banks and other financial institutions	24,998	29,999
Investment securities	253,668	232,522
Total liquidity portfolio	**648,951**	**925,663**

Note 34 – Financial Risk Management (continued)

D. Interest Rate Risk

The NZ Banking Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The NZ Banking Group manages its interest rate risk by:

1. Regularly monitoring the macroeconomic factors that may have impact on the benchmark interest rates;
2. Optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
3. Managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the benchmark interest rates.

A principal part of the NZ Banking Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The NZ Banking Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following table demonstrates the contractual repricing or maturity dates, whichever is earlier, of the NZ Banking Group's assets and liabilities:

Audited 31 December 2024	Not interest-bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Thousands of dollars							
Financial assets							
Cash, cash equivalents and balances with central banks	28,420	327,757	-	-	-	-	356,177
Amounts due from related parties	-	14,108	-	-	-	-	14,108
Due from banks and other financial institutions	(2)*	25,000	-	-	-	-	24,998
Investment securities	(140)*	129,546	10,043	-	54,638	59,581	253,668
Derivative financial assets	49,711	-	-	-	-	-	49,711
Loans and advances to customers	(25,753)	3,246,965	217,834	325,247	49,756	2,908	3,816,957
Other financial assets	21,167	-	159	-	-	-	21,326
Total financial Assets	73,403	3,743,376	228,036	325,247	104,394	62,489	4,536,945
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	1,907,474	490,000	35,000	70,920	-	2,503,394
Derivative financial liabilities	4,556	-	-	-	-	-	4,556
Deposits from customers	72,613	288,375	262,742	235,925	12,256	14,947	886,858
Certificates of deposit	-	-	93,031	-	-	-	93,031
Debt securities issued	2,046	352,715	-	-	-	171,101	525,862
Lease liabilities	-	-	-	397	31	3,780	4,208
Other financial liabilities	61,001	-	-	-	-	-	61,001
Total financial liabilities	140,216	2,548,565	845,773	271,322	83,207	189,828	4,078,911
On-balance sheet gap	(66,813)	1,194,811	(617,737)	53,925	21,187	(127,339)	458,034
Net derivative notional principals	-	(162,328)	-	-	-	171,250	8,922
Net effective interest rate gap	(66,813)	1,032,483	(617,737)	53,925	21,187	43,911	466,956

*The whole amount relates to the impairment of financial assets.

Note 34 – Financial Risk Management (continued)

Audited 31 December 2023 Thousands of dollars	Not interest-bearing	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Financial assets							
Cash, cash equivalents and balances with central banks	42,677	613,223	-	-	-	-	655,900
Amounts due from related parties	-	15,057	-	-	-	-	15,057
Due from banks and other financial institutions	(1)*	30,000	-	-	-	-	29,999
Investment securities	(105)*	90,000	6,001	25,900	55,470	55,256	232,522
Derivative financial assets	4,771	-	-	-	-	-	4,771
Loans and advances to customers	(27,056)	2,779,521	153,313	256,894	162,387	11,244	3,336,303
Other financial assets	21,863	-	-	-	-	159	22,022
Total financial Assets	42,149	3,527,801	159,314	282,794	217,857	66,659	4,296,574
Financial liabilities							
Due to central banks and other financial institutions	-	1	-	-	-	-	1
Amounts due to related parties	-	1,593,998	732,665	-	-	63,152	2,389,815
Derivative financial liabilities	11,726	-	-	-	-	-	11,726
Deposits from customers	48,764	302,517	138,258	195,928	10,939	4,086	700,492
Certificates of deposit	-	67,620	29,070	9,367	-	-	106,057
Debt securities issued	-	499,748	99,984	-	-	-	599,732
Lease liabilities	-	-	-	26	1,056	4,679	5,761
Other financial liabilities	62,176	-	-	-	-	-	62,176
Total financial liabilities	122,666	2,463,884	999,977	205,321	11,995	71,917	3,875,760
On-balance sheet gap	(80,517)	1,063,917	(840,663)	77,473	205,862	(5,258)	420,814
Net derivative notional principals	-	(100,000)	100,000	-	-	-	-
Net effective interest rate gap	(80,517)	963,917	(740,663)	77,473	205,862	(5,258)	420,814

*The whole amount relates to the impairment of financial assets.

Note 34 – Financial Risk Management (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads. The NZ Banking Group takes an exposure to the effects of fluctuations in the prevailing levels of market interest rate cash flow risks. The fair value risk is not material.

The tables below summarise the before-tax sensitivity of financial assets and liabilities to changes in interest rate. The market value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity analysis is performed based on the reporting of interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

Audited 31 December 2024

Thousands of dollars	Carrying amount	-1% Profit	+1% Profit	-1% Equity	+1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	356,177	(9)	9	(9)	9
Amounts due from related parties	14,108	-	-	-	-
Due from banks and other financial institutions	24,998	-	-	-	-
Investment securities	253,668	(765)	765	(765)	765
Derivative financial assets	49,711	3,574	(3,574)	3,574	(3,574)
Loans and advances to customers	3,816,957	(28,136)	28,136	(28,136)	28,136
Other financial assets	21,326	-	-	-	-
Total financial assets	4,536,945	(25,336)	25,336	(25,336)	25,336
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	2,503,394	5,027	(5,027)	5,027	(5,027)
Derivative financial liabilities	4,556	(1,320)	1,320	(1,320)	1,320
Deposits from customers	886,858	(6)	6	(6)	6
Certificates of deposit	93,031	-	-	-	-
Debt securities issued	525,862	2,514	(2,514)	2,514	(2,514)
Lease liabilities	4,208	-	-	-	-
Other financial liabilities	61,001	-	-	-	-
Total financial liabilities	4,078,911	6,215	(6,215)	6,215	(6,215)

Note 34 – Financial Risk Management (continued)

Audited 31 December 2023

Thousands of dollars	Carrying amount	-1% Profit	+1% Profit	-1% Equity	+1% Equity
Financial assets					
Cash, cash equivalents and balances with central banks	655,900	(17)	17	(17)	17
Amounts due from related parties	15,057	-	-	-	-
Due from banks and other financial institutions	29,999	-	-	-	-
Investment securities	232,522	(635)	635	(635)	635
Derivative financial assets	4,771	(75)	(327)	(75)	(327)
Loans and advances to customers	3,336,303	(23,210)	23,210	(23,210)	23,210
Other financial assets	22,022	-	-	-	-
Total financial assets	4,296,574	(23,937)	23,535	(23,937)	23,535
Financial liabilities					
Due to central banks and other financial institutions	1	-	-	-	-
Amounts due to related parties	2,389,815	9,208	(9,208)	9,208	(9,208)
Derivative financial liabilities	11,726	327	76	327	76
Deposits from customers	700,492	-	-	-	-
Certificates of deposit	106,057	-	-	-	-
Debt securities issued	599,732	4,251	(4,251)	4,251	(4,251)
Lease liabilities	5,761	-	-	-	-
Other financial liabilities	62,176	-	-	-	-
Total financial liabilities	3,875,760	13,786	(13,383)	13,786	(13,383)

Note 34 – Financial Risk Management (continued)

E. Foreign Currency Risk

Foreign exchange risk is the risk that the NZ Banking Group would be adversely impacted from unfavourable movements in foreign currency rates. The NZ Banking Group manages its currency risk through various methods, including hedging foreign exchange risk, and performing currency risk sensitivity analysis and stress testing regularly. The table below summarises the NZ Banking Group's exposure to foreign currency exchange rate risk as at year end. Included in the table are the NZ Banking Group's financial instruments at carrying amounts, categorised by currency.

Audited 31 December 2024

Thousands of dollars	HKD	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	-	-	182	30,819	155	31,156
Amounts due from related parties	21	771	743	8,471	1,752	11,758
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	5,543	-	67,005	34,193	106,741
Other financial assets	-	13	1	163	138	315
Total financial assets	21	6,327	926	106,458	36,238	149,970
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	291,000	398,925	-	689,925
Deposits from customers	-	153	1,070	48,408	204	49,835
Certificates of deposit	-	-	-	-	-	-
Debt securities issued	-	-	121,172	52,824	-	173,996
Other financial liabilities	-	-	2,638	15,334	156	18,128
Total financial liabilities	-	153	415,881	515,491	360	931,885
Net on balance sheet financial position	21	6,174	(414,955)	(409,033)	35,878	(781,915)
Net derivative position	-	(4,613)	412,008	413,109	(27,575)	792,929
Total open position	21	1,561	(2,947)	4,076	8,303	11,014

Note 34 – Financial Risk Management (continued)

Audited 31 December 2023

Thousands of dollars	HKD	EUR	CNY	USD	AUD	Total
Financial assets						
Cash, cash equivalents and balances with central banks	-	-	195	42,562	9	42,766
Amounts due from related parties	18	499	361	12,551	1,627	15,056
Due from banks and other financial institutions	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Loans and advances to customers	-	9,263	-	95,542	58,005	162,810
Other financial assets	-	24	-	280	173	477
Total financial assets	18	9,786	556	150,935	59,814	221,109
Financial liabilities						
Due to central banks and other financial institutions	-	-	1	-	-	1
Amounts due to related parties	-	-	155,330	94,728	-	250,058
Deposits from customers	-	27	658	35,613	65	36,363
Certificates of deposit	-	-	-	-	-	-
Debt securities issued	-	-	-	(58)	-	(58)
Other financial liabilities	-	-	479	4,402	159	5,040
Total financial liabilities	-	27	156,468	134,685	224	291,404
Net on balance sheet financial position	18	9,759	(155,912)	16,250	59,590	(70,295)
Net derivative position	-	(8,734)	155,330	(6,315)	(54,993)	85,288
Total open position	18	1,025	(582)	9,935	4,597	14,993

Note 34 – Financial Risk Management (continued)

The tables below summarise the before-tax sensitivity of financial assets and liabilities to changes in currency risks. The market value of the assets and liabilities was used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity analysis is performed based on the reporting of foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

Audited 31 December 2024

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
HKD	21	(2)	2	(2)	2
EUR	6,174	(617)	617	(617)	617
CNY	(414,955)	41,495	(41,495)	41,495	(41,495)
USD	(409,033)	40,903	(40,903)	40,903	(40,903)
AUD	35,878	(3,588)	3,588	(3,588)	3,588
Net on balance sheet financial position	(781,915)	78,191	(78,191)	78,191	(78,191)
EUR	(4,612)	461	(461)	461	(461)
CNY	412,007	(41,201)	41,201	(41,201)	41,201
USD	413,109	(41,311)	41,311	(41,311)	41,311
AUD	(27,575)	2,758	(2,758)	2,758	(2,758)
Net derivative position	792,929	(79,293)	79,293	(79,293)	79,293
Total open position	11,014	(1,102)	1,102	(1,102)	1,102

Audited 31 December 2023

Thousands of dollars	Carrying amount	-10% Profit	+10% Profit	-10% Equity	+10% Equity
HKD	18	(2)	2	(2)	2
EUR	9,759	(975)	975	(975)	975
CNY	(155,912)	15,592	(15,592)	15,592	(15,592)
USD	16,250	(1,628)	1,628	(1,628)	1,628
AUD	59,590	(5,958)	5,958	(5,958)	5,958
Net on balance sheet financial position	(70,295)	7,029	(7,029)	7,029	(7,029)
EUR	(8,734)	873	(873)	873	(873)
CNY	155,330	(15,533)	15,533	(15,533)	15,533
USD	(6,315)	632	(632)	632	(632)
AUD	(54,993)	5,500	(5,500)	5,500	(5,500)
Net derivative position	85,288	(8,528)	8,528	(8,528)	8,528
Total open position	14,993	(1,499)	1,499	(1,499)	1,499

F. Operational Risk

The NZ Banking Group defines operational risks as risks of loss resulting from inadequate or failed internal processes, controls, systems and/or from external parties. It is a pervasive risk that involves all aspects of the NZ Banking Group as well as other counterparties with whom the NZ Banking Group deals under day to day operations. The NZ Banking Group's policy is to ensure that the risk of losses from operational failure is minimised. To this purpose the NZ Banking Group has a variety of control systems. Operational procedures are reviewed regularly by Senior Management and Internal Audit, and with a frequency determined by the level of risks involved.

G. Equity Risk

The NZ Banking Group did not have any equity risk exposure as at balance date 31 December 2024 (31 December 2023: nil).

Note 34 – Financial Risk Management (continued)

H. Financial Instruments by Category

Audited 31 December 2024

Thousands of dollars	Financial assets at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets				
Cash, cash equivalents and balances with central banks	356,177	-	-	356,177
Amounts due from related parties	14,108	-	-	14,108
Due from banks and other financial institutions	24,998	-	-	24,998
Investment securities	253,668	-	-	253,668
Derivative financial assets	-	51,130	(1,419)	49,711
Loans and advances to customers	3,816,957	-	-	3,816,957
Other financial assets	21,326	-	-	21,326
Total financial assets	4,487,234	49,711	-	4,536,945

Thousands of dollars	Financial liabilities at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial liabilities				
Due to central banks and other financial institutions	1	-	-	1
Amounts due to related parties	2,503,394	-	-	2,503,394
Derivative financial liabilities	-	4,556	-	4,556
Deposits from customers	886,858	-	-	886,858
Certificates of deposit	93,031	-	-	93,031
Debt securities issued	525,862	-	-	525,862
Lease liabilities	4,208	-	-	4,208
Other financial liabilities	61,001	-	-	61,001
Total financial liabilities	4,074,355	4,556	-	4,078,911

Note 34 – Financial Risk Management (continued)

Audited 31 December 2023

Thousands of dollars	Financial assets at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial assets				
Cash, cash equivalents and balances with central banks	655,900	-	-	655,900
Amounts due from related parties	15,057	-	-	15,057
Due from banks and other financial institutions	29,999	-	-	29,999
Investment securities	232,522	-	-	232,522
Derivative financial assets	-	4,771	-	4,771
Loans and advances to customers	3,336,303	-	-	3,336,303
Other financial assets	22,022	-	-	22,022
Total financial assets	4,291,803	4,771	-	4,296,574

Thousands of dollars	Financial liabilities at amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
Financial liabilities				
Due to central banks and other financial institutions	1	-	-	1
Amounts due to related parties	2,389,815	-	-	2,389,815
Derivative financial liabilities	-	11,726	-	11,726
Deposits from customers	700,492	-	-	700,492
Certificates of deposit	106,057	-	-	106,057
Debt securities issued	599,732	-	-	599,732
Lease liabilities	5,761	-	-	5,761
Other financial liabilities	62,176	-	-	62,176
Total financial liabilities	3,864,034	11,726	-	3,875,760

Note 34 – Financial Risk Management (continued)

I. Fair value of Financial Instruments

Fair value Assumptions

i. The carrying value of cash and cash equivalents is the fair value.

ii. For on demand and deposits from customers maturing within six months, due from/to other financial institutions, the carrying value is considered to be the fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity. The fair value includes a calculation of the NZ Banking Group's own credit risk based on observable market data.

iii. The carrying value of loans and advances to customers is net of allowance for impairment loss. For loans and advances to customers maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value are calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity.

iv. For amounts due from/to related parties maturing or repricing within six months, the carrying value is considered to be fair value; for those categories with maturities more than six months, the fair value is calculated on a discounted cash flow basis using the current interest rate offered for a similar maturity. The fair value includes a calculation of the NZ Banking Group's own credit risk based on observable market data.

v. The fair value of investment securities, derivative financial instruments, and debt securities is determined by a discounted cash flow basis, which is based on the interest rate repricing and maturity of the instruments. The fair value includes a calculation of the NZ Banking Group's own credit risk based on observable market data.

vi. The carrying value of other financial assets and liabilities is considered to be the fair value.

Fair Value Measurements

Under NZ IFRS 7, the fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following valuation techniques have been applied to determine the fair values of financial instruments where there is no quoted price (level 1) for the instrument:

- For instruments classified as derivative financial assets and liabilities fair value measurements are derived by using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.;
- For net loans and advances, deposits and due to related parties, borrowings and debt securities issued, discounted cash flow techniques are used where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturity or a yield curve appropriate for the remaining term to maturity.

There have been no substantial changes in the valuation techniques applied to different classes of financial instruments during the year.

Note 34 – Financial Risk Management (continued)

Audited 31 December 2024

Thousands of dollars	Carrying amount	Estimated Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	356,177	-	356,177	-	356,177
Amounts due from related parties	14,108	-	14,108	-	14,108
Due from banks and other financial institutions	24,998	-	24,998	-	24,998
Investment securities	253,668	255,222	-	-	255,222
Derivative financial assets	49,711	-	49,711	-	49,711
Loans and advances to customers	3,816,957	-	3,819,602	-	3,819,602
Other financial assets	21,326	-	21,326	-	21,326
Total financial assets	4,536,945	255,222	4,285,922	-	4,541,144
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	2,503,394	-	2,503,365	-	2,503,365
Derivative financial liabilities	4,556	-	4,556	-	4,556
Deposits from customers	886,858	-	887,894	-	887,894
Certificates of deposit	93,031	-	93,031	-	93,031
Debt securities issued	525,862	-	525,534	-	525,534
Lease liabilities	4,208	-	4,208	-	4,208
Other financial liabilities	61,001	-	61,001	-	61,001
Total financial liabilities	4,078,911	-	4,079,590	-	4,079,590

Audited 31 December 2023

Thousands of dollars	Carrying amount	Estimated Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash, cash equivalents and balances with central banks	655,900	-	655,900	-	655,900
Amounts due from related parties	15,057	-	15,057	-	15,057
Due from banks and other financial institutions	29,999	-	29,999	-	29,999
Investment securities	232,522	228,565	-	-	228,565
Derivative financial assets	4,771	-	4,771	-	4,771
Loans and advances to customers	3,336,303	-	3,334,943	-	3,334,943
Other financial assets	22,022	-	22,022	-	22,022
Total financial assets	4,296,574	228,565	4,062,692	-	4,291,257
Financial liabilities					
Due to central banks and other financial institutions	1	-	1	-	1
Amounts due to related parties	2,389,815	-	2,388,911	-	2,388,911
Derivative financial liabilities	11,726	-	11,726	-	11,726
Deposits from customers	700,492	-	700,724	-	700,724
Certificates of deposit	106,057	-	106,094	-	106,094
Debt securities issued	599,732	-	599,732	-	599,732
Lease liabilities	5,761	-	5,761	-	5,761
Other financial liabilities	62,176	-	62,176	-	62,176
Total financial liabilities	3,875,760	-	3,875,125	-	3,875,125

Note 35 – Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

As at balance date neither the Registered Bank nor the NZ Banking Group were involved in:

- The establishment, marketing, or sponsorship of trust, custodial, funds management or other fiduciary activities; or
- The origination of securitised assets; or
- The marketing or servicing of securitisation schemes; or
- Any insurance business or non-financial activities in New Zealand within or outside the NZ Banking Group.

Note 36 – Risk Management Policies

The NZ Banking Group's objective is to appropriately manage all the risks that arise from its activities. A review of the risk appetite of the NZ Banking Group is conducted periodically having regard to prevailing market conditions and strategy. Based upon this review, an assessment of the relevant policies, systems, and reporting is undertaken to ensure that they are consistent with the stated risk appetite of the NZ Banking Group.

A. Specific Areas of Risk Management
The NZ Banking Group's Key areas of risk are Strategic and Business risk (managed by the Board through annual and three and five year business plans); Financial Risks including Credit Risk, Interest Rate Risk, Liquidity Risk, Foreign Exchange Risk and Operational Risk (managed through internal controls and procedures), Financial and operational risk management appetites, objectives, policies, strategies, and processes are documented in Note 34 of the financial statements.

B. Risk management structure
The Branch's risk management framework is established to commensurate with the Overseas Bank Head Office's risk management strategies and policies, and ensuring compliance with all Reserve Bank requirements.

The relevant risk owner within each Overseas Bank business unit monitors the Branch's risk management on an on-going basis, and Branch business functions report their risk performance and risk positions to the Overseas Bank. By collecting these reports, the Overseas Bank is able to monitor a range of Branch risk measures, including interest repricing gap, maturity mismatch, foreign currency exposure, credit quality and grading and other dimensional risk information.

ICBC (NZ) employs management, management have specific responsibilities for ICBC Auckland Branch.

As the top decision-making body for risk management in ICBC (NZ), the Local Board is responsible for the overall risk management approach, including determining risk management framework, overall risk strategy, general principles of risk management, risk appetites and risk tolerance, and supervising the daily work of management. The Local Board has reviewed and approved the ICBC (NZ)'s revised General Principles of Risk Management and Risk Appetite Statement. The Local Board has the responsibility to monitor the overall risk process within the ICBC (NZ) and has appointed a Local Board Risk Committee to carry out this function.

Further information on the risk management structure and governance of ICBC (NZ) is available in the ICBC (NZ) year end Disclosure Statement which is available on the ICBC (NZ) website (www.icbcnz.com).

Further information on the risk management processes implemented by the Overseas Banking Group is accessible to users on the Overseas Bank's website (www.icbc.com.cn).

C. Internal Audit Function
The NZ Banking Group has established an independent internal audit function for abiding by the local regulatory requirements and group policies, conducting the internal audit supervision and evaluation of the institution independently, objectively and effectively. The function reports internal audit work in a timely and normative manner, and promotes the rectification work on audit findings. The Internal Audit function of the NZ Banking Group is independent from its respective business, risk management, and internal control and compliance practice. It assists the NZ Banking Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the organisation's governance, risk management and internal control system. The Internal Audit function follows a risk based approach in scheduling audits.

The Internal Audit function for the Branch has a dual-track reporting line and reports the audit work and results to the CEO of the Branch and the Internal Audit Bureau of the Head Office (ICBC Ltd) at the same time. By doing so, it performs the duties of administrative reporting to the CEO of the Branch, and performs the functions reporting duties to the Internal Audit Bureau of the Head Office (ICBC Ltd).

The Internal Audit function for ICBC (NZ) reports its work directly to the Board Audit Committee of ICBC (NZ). At the same time, it is subject to guidance from the Internal Audit Bureau of the Head Office (ICBC Ltd).

D. Credit Risk Mitigation and Collateral
The NZ Banking Group uses various risk mitigation techniques to reduce the credit risk arising from its lending activities.

- Corporate loans and discounted bills are mainly collateralised by properties or other assets and are assessed taking into account the customers stability of earnings and other factors.
- Retail loans are collateralised by residential properties.

The NZ Banking Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral is assessed and confirmed by the NZ Banking Group or valuation agents identified by the NZ Banking Group.

Note 36 – Risk Management Policies (continued)

The loan-to-value ratio depends on types of collateral, usage condition, liquidity and price volatility. For retail loans, regulatory restrictions also apply from time to time. All collateral has to be registered in accordance with the relevant laws and regulations. The relationship managers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the NZ Banking Group's policy to dispose of assets in an orderly manner, where mortgage defaults occur. In general, the NZ Banking Group does not occupy or take possession of assets.

As at 31 December 2024, the gross carrying amount of corporate loans amounted to NZD3,076M (31 December 2023: NZD2, 681M), of which credit exposure covered by collateral amounted to NZD1,804M (31 December 2023: NZD1,816M). Retail loans are fully collateralised by residential properties. As at 31 December 2024, the gross carrying amount of retail loans amounted to NZD766M (31 December 2023: NZD682M).

Note 37 – Capital Adequacy

(a) ICBC (NZ) capital adequacy requirements

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk weighted exposures. As a condition of registration, ICBC (NZ) must comply with the following minimum capital requirements set by the RBNZ which apply on and after 1 July 2024:

- The Total capital ratio of the Banking Group is not less than 9%;
- The Tier 1 capital ratio of the Banking Group is not less than 7%;
- The Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5%; and
- The Total capital of the Banking Group is not less than $30 million.

The 'Banking Group' means ICBC (NZ) and its subsidiaries. As at the date of this Disclosure Statement, ICBC (NZ) does not have any subsidiaries and is the only member of the Banking Group.

For the financial year ended 31 December 2024, ICBC (NZ) has complied in full with its regulatory and internal capital adequacy requirements.

(b) Overseas Banking Group capital adequacy requirements

The Overseas Banking Group's capital adequacy ratios are calculated in accordance with the Capital Rules for Commercial Banks and other relevant regulations promulgated by the National Financial Regulatory Administration ("NFRA"). According to the scope of implementing the advanced capital measurement approaches as approved by the regulatory authorities, the Overseas Banking Group adopts the foundation internal ratings-based ("IRB") approach for corporate credit risk and the advanced IRB approach for retail credit risk that met the regulatory requirements, and adopted the weighted approach for credit risk uncovered by the IRB approach, the standardised approach for market risk, and the standardized approach for operational risk.

As a Systemically Important Bank, the Overseas Banking Group's capital adequacy ratios are required to meet the lowest requirements of NFRA, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 5.0%, 6.0% and 8.0% respectively, in addition to a 2.5% buffer ratio and 1.5% additional capital required for global Systemically Important Banks.

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

The Overseas Bank and the Overseas Banking Group each met the capital requirements imposed on them by the NFRA as at 31 December 2023, the latest reporting date, and 30 September 2024.

The table below summarises the Overseas Bank's and Overseas Banking Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Capital Rules for Commercial Banks and other relevant regulations promulgated by the NFRA.

	30 September 2024	31 December 2023
Overseas Banking Group		
Common Equity Tier 1 Capital Ratio	13.95%	13.72%
Tier 1 Capital Ratio	15.23%	15.17%
Total Capital Ratio	19.25%	19.10%
Overseas Bank		
Common Equity Tier 1 Capital Ratio	13.55%	13.55%
Tier 1 Capital Ratio	15.00%	15.00%
Total Qualifying Capital Ratio	19.28%	19.28%

Note 37 – Capital Adequacy (continued)

(c) Additional mortgage information

Residential mortgages by loan-to-valuation ratio

31 December 2024

Thousands of dollars Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	764,892	-	-	764,892

31 December 2023

Thousands of dollars Loan-to-valuation ratio	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures	678,765	-	-	678,765

Reconciliation of residential mortgage-related amounts

Thousands of dollars	31 December 2024	31 December 2023
Residential mortgage loans (as disclosed in Note 7,14)		
On balance sheet exposures		
Residential – owner occupied	374,305	341,146
Residential - investment	392,036	340,659
Residential – corporate lending	-	-
Provisions for impairment losses on loans and advances	(1,449)	(3,040)
Residential mortgages by loan-to-valuation ratio	764,892	678,765
Off balance sheet exposures	-	-
Total	764,892	678,765

(d) Market Risk

Market risk exposures have been calculated in accordance with the methodology detailed in BPR140 of the RBNZ's Banking Prudential Requirements, and schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the 6 months period ended 31 December of 2024 of the aggregate capital charge at the close of each business day derived in accordance with BPR140 of the Reserve Bank's Banking Prudential Requirements.

31 December 2024	End-period notional capital charges		Peak end-of-day notional capital charges	
Thousands of dollars	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Interest rate risk	73,975	5,918	102,113	8,169
Foreign currency risk	26,575	2,126	26,575	2,126
Equity risk	-	-	-	-
Total capital requirements	100,550	8,044	128,688	10,295

31 December 2023	End-period notional capital charges		Peak end-of-day notional capital charges	
Thousands of dollars	Implied risk weighted exposure	Notional capital charge	Implied risk weighted exposure	Notional capital charge
Interest rate risk	94,525	7,562	111,363	8,909
Foreign currency risk	16,050	1,284	18,075	1,446
Equity risk	-	-	-	-
Total capital requirements	110,575	8,846	129,438	10,355

Note 38 – Notes to Statement of Cash Flows

Thousands of Dollars	Audited 31 December 2024	Audited 31 December 2023
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net profit after taxation	**37,018**	**32,766**
Non cash movements:		
Unrealised fair value adjustments	(3,942)	(3,893)
Depreciation	399	348
Amortisation of Right-of-use assets	1,491	1,529
Amortisation of financial instruments	(79)	405
Increase/(decrease) in allowance for impairment losses	(1,581)	14,641
Bad debts recovery	-	(3,149)
Unrealised foreign exchange gain/(loss)	(40,944)	4,358
Net change in fair value of financial instruments and hedged items	(6,604)	-
(Increase)/decrease in deferred taxation	1,110	(2,912)
Amortisation of debt securities issued	(91)	135
Increase/(decrease) in operating assets and liabilities	**(50,241)**	**11,462**
(Increase)/decrease in interest receivable	686	(7,784)
(Decrease)/increase in interest payable	(2,113)	21,848
(Increase)/decrease in loans and advances to customers	(479,351)	(360,388)
Increase/(decrease) in deposits from customers	186,366	134,771
Increase/(decrease) in certificates of deposit	(13,026)	(159,402)
Increase/(decrease) in other liabilities	3,201	(1,488)
Increase/(decrease) in amounts due to related parties	89,867	565,058
(Increase)/decrease in current taxation	(3,316)	4,178
(Increase)/decrease in amounts due from related parties	7,815	(7,815)
(Increase)/decrease in other assets	66	879
Net cash flows received from operating activities	**(223,028)**	**(234,085)**

Note 38 – Notes to Statement of Cash Flows (continued)

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2024 (audited)

Thousands of Dollars	Balance at the beginning of the year	Net Cash flow	Amortisation	Non-cash changes Revaluation	Non-cash changes Foreign Exchange movement	31 December 2024
Subordinated loans due to related parties	-	-	-	-	-	-
Debt securities issued	599,732	(75,819)	(91)	2,046	(6)	525,862
Lease liabilities	5,761	(1,578)	25	-	-	4,208
Total liabilities from financing activities	605,493	(77,397)	(66)	2,046	(6)	530,070

For the year ended 31 December 2023 (audited)

Thousands of Dollars	Balance at the beginning of the year	Net Cash flow	Amortisation	Non-cash changes Revaluation	Non-cash changes Foreign Exchange movement	31 December 2023
Subordinated loans due to related parties	35,000	(35,000)	-	-	-	-
Debt securities issued	475,180	124,413	135	-	4	599,732
Lease liabilities	7,033	(1,556)	284	-	-	5,761
Total liabilities from financing activities	517,213	87,857	419	-	4	605,493

Note 39 – Other information on the Overseas Banking Group

As at 30 September 2024	
Profitability	
Net profit after tax for the 12 month period (RMB millions)	365,662
Net profit after tax for the 12 month period as a percentage of average total assets	0.79%
Size	
Total assets (RMB millions)	48,357,755
Percentage change in total assets over the previous 12 month period	8.71%

As at 30 June 2024	
Asset quality	
Total gross individually impaired assets (RMB millions)	378,966
Total individually impaired assets as a percentage of total assets	0.80%
Total individually assessed provisions (RMB millions)	279,788
Total individually assessed provisions as a percentage of total gross individually impaired assets	73.83%
Total collective provision (RMB millions)	596,685

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Assurance engagements performed by Ernst & Young

Industrial and Commercial Bank of China New Zealand Banking Group (the "Group") comprises the New Zealand business of Industrial and Commercial Bank of China Limited (incorporated in China and trading as Industrial and Commercial Bank of China Auckland Branch) and Industrial and Commercial Bank of China (New Zealand) Limited.

Our assurance procedures consisted of the following:

- Audit of the financial statements (the "Financial Statements") of the Group for the year ended 31 December 2024 that are required by Clause 25 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") included on pages 13 to 73 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 a separate opinion and conclusion respectively as described below and so are not covered by the Financial Statement audit.
- Audit of the information required by Clause 22 of the Order to be disclosed in accordance with Schedule 4 (being the additional information on statement of financial position that is presented on the Balance Sheet, additional information on concentrations of credit risk (Note 29), additional information on interest rate sensitivity (Note 34(d)), additional information on liquidity risk (Note 34(c)), registered bank profitability and size (Note 39) and reconciliation of mortgage-related amounts (Note 37), Schedule 7 (Asset quality in Note 27), Schedule 11 (Insurance, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products in Note 35) and Schedule 13 (Risk management policies in Note 36) of the Order (together the "Supplementary Information"). The Supplementary Information is presented for the year ended 31 December 2024 or as at that date, as applicable.
- Limited assurance engagement in relation to the information required by Clause 22 to be disclosed in accordance with Schedule 9 of the Order which is disclosed in Note 37 (the "Credit and Market Risk Exposures and Capital Adequacy Information"). The Credit and Market Risk Exposures and Capital Adequacy Information is presented for the year ended 31 December 2024 or as at that date, as applicable.

Independent auditor's report to the Directors of Industrial and Commercial Bank of China Limited Report on the audit of the Financial Statements and Supplementary Information

Opinion

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

- ► the balance sheet of the Group as at 31 December 2024;
- ► the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group; and
- ► the notes to the Financial Statements including material accounting policy information.

In our opinion:

- the Financial Statements present fairly, in all material respects, the financial position of the Group as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the Supplementary Information for the year ended 31 December 2024 or as at that date, as applicable:
    - presents fairly the matters to which it relates; and
    - is disclosed in accordance with Schedules 4, 7, 11 and 13 of the Order.

We have not audited the Credit and Market Risk Exposures and Capital Adequacy Information (as defined above) and our audit opinion does not extend to this information.

This report is made solely to the Directors of Industrial and Commercial Bank of China Limited, as a body.

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Our audit has been undertaken so that we might state to the Directors of Industrial and Commercial Bank of China Limited those matters we are required to state to them in an auditor's 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 Industrial and Commercial Bank of China Limited, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements and Supplementary Information* section of our report.

We are independent of the Group in accordance with 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current year. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the Financial Statements and Supplementary Information* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Provision for impairment losses on corporate credit exposures

Why significant	How our audit addressed the key audit matter
As described in Notes 1 Accounting Policies, 7 Impairment Allowance and 14 Loans and advances to customers, the provision for impairment losses on corporate credit exposures is determined in accordance with New Zealand equivalent to International Financial Reporting Standard 9 *Financial Instruments* (NZ IFRS 9). The assessment of the provision for impairment losses on corporate credit exposures is complex and requires significant judgement and estimation. Key areas of judgement included: ▶ whether there were exposures required to be individually assessed for impairment; ▶ the application of the impairment requirements under NZ IFRS 9 within the Group's provision	We assessed the alignment of the Group's provision for impairment losses model and its underlying methodology with the requirements of NZ IFRS 9. We assessed: ▶ the significant modelling and macroeconomic assumptions including the reasonableness of forward-looking information and scenarios; ▶ the determination and assessment of a significant increase in credit risk; ▶ the basis for and data used to determine forward looking adjustments, including the probabilities assigned to each scenario; and ▶ the sensitivity of the provision for impairment losses on corporate credit exposures to changes

for impairment losses methodology;

- the identification of exposures with a significant increase in credit risk;
- the assumptions used in the provision for impairment losses model in relation to exposures assessed on a collective basis; and
- the incorporation of forward-looking information to reflect anticipated future external factors, with multiple economic scenarios considered and a probability weighting assigned to each of these.

This was a key audit matter due to the value of the provision for impairment losses and the degree of judgement and estimation uncertainty associated with the calculations.

in modelling assumptions.

We involved our actuarial specialists to test the mathematical accuracy of the model and to consider key assumptions and significant judgements.

We examined a sample of exposures by assessing the reasonability of internal credit quality assessments based on the borrowers' circumstances and the valuation of collateral held by the Group.

We assessed the effectiveness of relevant controls relating to the:

- capture of data, including loan origination and transactional data, ongoing internal credit quality assessments and data used in the models; and
- provision for impairment losses model, including functionality, ongoing monitoring/validation and model governance.

We assessed the adequacy and appropriateness of the disclosures related to provision for impairment losses on corporate credit exposures within the Financial Statements.

Information other than the Financial Statements, Supplementary Information and auditor's report

The Directors of Industrial and Commercial Bank of China Limited are responsible, on behalf of the Group, for the Disclosure Statement, which includes information other than the Financial Statements, Supplementary Information and auditor's report. The other information includes the Climate Report which is referenced in the Disclosure Statement.

Our opinion on the Financial Statements and Supplementary Information does not cover the other information and we do not express any form of assurance conclusion thereon, except as otherwise stated. We have performed a limited assurance engagement on the Credit and Market Risk Exposures and Capital Adequacy Information as explained below.

In connection with our audit of the Financial Statements and Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or Supplementary Information or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the Financial Statements and Supplementary Information

The Directors of Industrial and Commercial Bank of China Limited are responsible, on behalf of the entity, for the preparation and fair presentation of the Financial Statements in accordance with Clause 25 of the Order, New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and the Supplementary Information in accordance with Clause 22 of the Order and Schedules 4, 7, 11 and 13 of the Order, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements and Supplementary Information that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements and Supplementary Information, the Directors of Industrial and Commercial Bank of China Limited are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of Industrial and Commercial Bank of China Limited either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements, as a whole, and Supplementary Information are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and Supplementary Information.

A further description of the auditor's responsibilities for the audit of the Financial Statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

The engagement partner on the engagement resulting in this independent auditor's report is Graeme Bennett

Ernst + Young

Chartered Accountants
Auckland
27 March 2025

Independent Assurance Report to the Directors of Industrial and Commercial Bank of China Limited

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

Conclusion

We have undertaken a limited assurance engagement on the compliance of the Group's Credit and Market Risk Exposures and Capital Adequacy Information for the year ended 31 December 2024 or as at that date, as applicable, in all material respects, with Schedule 9 of the Order.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Credit and Market Risk Exposures and Capital Adequacy Information for the year ended 31 December 2024 or as at that date, as applicable, disclosed in Note 37 to the 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 Industrial and Commercial Bank of China Limited are responsible on behalf of the Group for:

1. Compliance with the Order, including clause 22 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 22 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

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to arise.

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

- Obtained an understanding of the Group's compliance framework and internal control environment to 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 Financial Statements of the Group.
- Obtained an understanding and assessed the impact of any matters of non-compliance, either 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 year ended 31 December 2024 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 Industrial and Commercial Bank of China Limited for the purpose of providing limited assurance that the Group's Credit and Market Risk Exposures and Capital Adequacy Information has complied with Schedule 9 of the Order. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Directors of Industrial and Commercial Bank of China Limited 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.

Ernst & Young

Chartered Accountants
Auckland
27 March 2025