

# China Construction Bank Corporation New Zealand Banking Group

## Disclosure Statement

For the year ended 31 December 2024



# Table of contents

## Disclosure Statement

General information and definitions	3
Corporate information	3
Subordination of claims of creditors	3
Requirement to hold excess assets over deposit liabilities	3
Requirement to maintain sufficient assets to cover ongoing obligation to pay deposit liabilities	3
Limits on material financial support by the Ultimate Parent Bank Directorate	4
Address for communications to the Directors of the Overseas Bank and the New Zealand Chief Executive Officer of the branch	4
New Zealand Chief Executive Officer of the branch	5
Audit committee under the Board	6
Conflicts of interest	6
Transactions with Directors	6
Guarantee arrangements	6
Pending proceedings or arbitration	6
Auditor	6
Directors' and New Zealand Chief Executive Officer's Statements	7

## Financial Statements

Historical summary of financial statements	8
Statement of comprehensive income	9
Statement of changes in equity	10
Balance sheet	11
Statement of cash flows	12

## Notes to the Financial statements

1. Statement of accounting policies	13
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## Financial Performance

2. Net interest income	25
3. Non-interest income	25
4. Operating expenses	26
5. Impairment write-backs / (charges) on credit exposures	26
6. Taxation	27
7. Net cash flows used in operating activities	28

## Financial Position

8. Cash and balances with central banks	28
9. Due from other financial institutions	28
10. Investment securities	28
11. Loans and advances	29
12. Derivative financial instruments	29

## Abbreviations

The following abbreviations are used throughout the report:

<b>ALCO</b> Asset and Liability Committee
<b>ANZSIC</b> Australia and New Zealand Standard Industrial Classifications
<b>BARC</b> Board Audit, Risk and Compliance Committee
<b>BPR</b> Banking Prudential Requirements
<b>CBIRC</b> China Banking and Insurance Regulatory Commission
<b>CBRC</b> China Banking Regulatory Commission
<b>CCCFA</b> Credit Contracts and Consumer Finance Act 2003
<b>CET1</b> Common Equity Tier 1
<b>CFP</b> Contingency funding plan
<b>EAD</b> Exposure at default
<b>ECL</b> Expected credit losses
<b>EWI</b> Early warning indicator
<b>FVOCI</b> Fair value through other comprehensive income
<b>FTVPL</b> Fair value through profit or loss
<b>IAS</b> International Accounting Standards
<b>ICAAP</b> Internal capital adequacy assessment process

## Page

## Financial Position *continued*

## Page

13. Property, plant and equipment	33
14. Due to other financial institutions	33
15. Deposits from customers	33
16. Debt securities issued	33
17. Other liabilities	34
18. Share capital	35
19. Fair value of financial instruments	36
20. Related party transactions and balances	39
21. Key management personnel	40

## Risk Management

22. Risk governance	41
23. Credit risk management and asset quality	43
24. Asset quality	47
25. Concentration of credit exposures	52
26. Market risk management	52
27. Liquidity and funding risk management	55
28. Concentrations of funding	58
29. Capital adequacy	58

## Other Disclosures

30. Insurance business, securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products	61
31. Commitments and contingent liabilities	61
32. Offsetting of financial assets and financial liabilities	61
33. Events subsequent to the reporting date	62
34. Other material matters	62
35. Other information on the Overseas Banking Group	62
36. Credit ratings of the Overseas Bank	63
37. Conditions of registration	64

## Independent Auditor's Report

66

<b>IRB</b> Internal rating based
<b>IRRBB</b> Interest rate risk in the banking book
<b>ISDA</b> International Swaps and Derivatives Association
<b>LGD</b> Loss given default
<b>LVR</b> Loan-to-valuation ratio
<b>NFRA</b> National Financial Regulatory Administration
<b>NII</b> Net interest income
<b>NZ GAAP</b> New Zealand Generally Accepted Accounting Principles
<b>NZ IFRS</b> New Zealand equivalent to International Financial Reporting Standards
<b>PD</b> Probability of default
<b>POCI</b> Purchased and originated credit impaired
<b>RBNZ</b> Reserve Bank of New Zealand
<b>RCD</b> Registered Certificate of Deposit
<b>RMB</b> Chinese Yuan Renminbi
<b>RWA</b> Risk weighted assets
<b>SICR</b> Significant increase in credit risk

## Disclosure Statement

For the year ended 31 December 2024

### General information and definitions

Certain information contained in this full year Disclosure Statement for the year ended 31 December 2024, is as required by section 81 of the Banking (Prudential Supervision) Act 1989 and is in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement:

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

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

### Corporate information

#### Registered Bank

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

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

Address for service - branch:

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

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

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

The NZ Banking Group's Climate Report will be published before 30 April 2025 and be available for download, free of charge, on the NZ Banking Group's website (<https://nz.ccb.com/newzealand/en/zxgg/201503111426044066.html>).

### Subordination of claims of creditors

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

### Requirement to hold excess assets over deposit liabilities

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

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

As required by the "Rules on Liquidity Risk Management of Commercial Banks" issued by the China Banking and Insurance Regulation Commission, the Overseas Bank is required to have adequate high quality liquid assets, so as to meet its liquidity needs under the set liquidity stress scenarios for at least 30 days through liquidating these assets.

## Limits on material financial support by the Ultimate Parent Bank

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

## Directorate

### Directors of the Overseas Bank

The Directors of the Bank at the time this Disclosure Statement was signed were:

Mr. Jinliang Zhang, Mr. Yi Zhang, Mr. Zhihong Ji, Mr. Bo Tian, Mr. Yang Xia, Ms. Fang Liu, Ms. Lu Li, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen, Mr. Kam Chung Leung, Lord Sassoon and Mr. Zhijun Lin.

	<b>Jinliang Zhang</b>	<b>Yi Zhang</b>	<b>Zhihong Ji</b>
Non-executive Independent Director	No	No	No
Qualifications	PhD	Masters Degree	Doctorate Degree
Country of Residence	China	China	China
Primary Occupation	Chairman and Executive Director, China Construction Bank Corporation Member, International Advisory Panel of the Monetary Authority of Singapore Vice President, the 9th session standing committee of China Banking Association	Vice Chairman and Executive Director, President, China Construction Bank Corporation	Executive Director, Vice President Chairman of the Council of CCB Housing Rental Fund
Secondary Occupations	None	None	None
Board Audit Committee Member	No	No	No
Date of appointment	June 2022	June 2024	June 2023
External Directorships	None	None	None
	<b>Bo Tian</b>	<b>Yang Xia</b>	<b>Fang Liu</b>
Non-executive Independent Director	Yes	Yes	Yes
Qualifications	Masters Degree	Doctorate Degree	Masters Degree
Country of Residence	China	China	China
Primary Occupation	Director (Employee of Huijin, the substantial shareholder of the Ultimate Parent Bank)	Director (Employee of Huijin, the substantial shareholder of the Ultimate Parent Bank)	Director (Employee of Huijin, the substantial shareholder of the Ultimate Parent Bank)
Secondary Occupations	None	None	None
Board Audit Committee Member	Yes	No	Yes
Date of appointment	August 2019	August 2019	January 2021
External Directorships	None	None	None
	<b>Lu Li</b>	<b>Graeme Wheeler</b>	<b>Michel Madelain</b>
Non-executive Independent Director	Yes	Yes	Yes
Qualifications	Masters Degree	Masters Degree	Masters Degree
Country of Residence	China	New Zealand	France
Primary Occupation	Director (Employee of Huijin, the substantial shareholder of the Ultimate Parent Bank)	Director	Director Managing Director of the IFRS Foundation
Secondary Occupations	None	None	None
Board Audit Committee Member	No	Yes	Yes
Date of appointment	March 2023	October 2019	January 2020
External Directorships	None	Non-executive Director of Thyssen-Bornemisza Group	None

	<b>William Coen</b>	<b>Kam Chung Leung</b>	<b>Lord Sassoon</b>
Non-executive Independent Director	Yes	Yes	Yes
Qualifications	Yes	Yes	Yes
Country of Residence	<i>Masters Degree</i>	<i>Bachelor Degree</i>	<i>Masters Degree</i>
Primary Occupation	<i>America</i>	<i>Hong Kong, China</i>	<i>United Kingdom</i>
Secondary Occupations	<i>Director</i>	<i>Director</i>	<i>Director</i>
Board Audit Committee Member	<i>Chairman of the IFRS Advisory Council</i>	<i>Chairman and CEO of Nan Fung Group</i>	
Date of appointment	<i>Technical Advisor, the International Monetary Fund Member, Bretton Woods</i>	<i>Chairman and co-founder of New Frontier Group</i>	
External Directorships	<i>Member, Bretton Woods</i>	<i>Chairman of two charity</i>	
	<i>None</i>	<i>None</i>	<i>None</i>
	<i>Yes</i>	<i>No</i>	<i>Yes</i>
	<i>June 2021</i>	<i>October 2021</i>	<i>October 2023</i>
	<i>Independent non-executive Director of Buna, a cross-border payment system in the Arab region. Member, the Board of Directors of the Toronto Leadership Centre</i>	<i>None</i>	<i>Independent non-executive Director of Barco NV and Arbuthnot Banking Group PLC.</i>
	<b>Zhijun Lin</b>		
Non-executive Independent Director	Yes		
Qualifications	Yes		
Country of Residence	<i>Masters &amp; Doctorate Degree</i>		
Primary Occupation	<i>Macau, China</i>		
Secondary Occupations	<i>Director</i>		
Board Audit Committee Member	<i>None</i>		
Date of appointment	<i>Yes</i>		
External Directorships	<i>September 2024</i>		
	<i>None</i>		

### Changes in the Overseas Bank's Board of Directors

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

- Mr. Jinliang Zhang was appointed as the Chairman of the Board in March 2024.
- Mr. Yi Zhang was appointed as an Executive Director of the Board in June 2024 and Vice Chairman in July 2024.
- Mr. William Coen, and Mr. Kam Chung Leung are re-elected as Independent Non-executive Director of the Board in June 2024.
- Mr. Zhijun Lin was appointed as an Independent Non-executive Director of the Board in September 2024.
- Mr. Yong Cui ceased to serve as Executive Director of the Board and Vice President in January 2024.
- Mr. Guoli Tian ceased to serve as Chairman and Executive Director in March 2024.
- Mr. Kenneth Patrick Chung ceased to serve as Independent Non-executive Director of the Board in June 2024.
- Ms. Min Shao ceased to serve as Non-executive Director of the Board in August 2024.

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

### Address for communications to the Directors of the Overseas Bank and the New Zealand Chief Executive Officer of the branch

All communication may be sent to the Directors of the Overseas Bank and the New Zealand Chief Executive Officer of the branch at Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand.

### New Zealand Chief Executive Officer of the branch

Name	Mr. Yong Wang
Primary Occupation	Chief Executive Officer, China Construction Bank (New Zealand) Limited
Residence	Auckland, New Zealand
External Directorship	None

Mr. Jun Qi concluded his term as Chief Executive Officer of China Construction Bank (New Zealand) Limited and General Manager of China Construction Bank Corporation New Zealand branch, ("New Zealand Chief Executive Officer") on 10 March 2025.

Mr. Yong Wang was appointed as Chief Executive Officer of China Construction Bank (New Zealand) Limited and General Manager of China Construction Bank Corporation New Zealand branch, ("New Zealand Chief Executive Officer") on 25 March 2025.

### Audit Committee under the Board

The audit committee consists of 7 directors. Mr. Michel Madelain, an independent non-executive director, currently serves as chairman of the audit committee. Members include Mr. Bo Tian, Ms. Fang Liu, Mr. Graeme Wheeler, Mr. William Coen, Lord Sassoon and Mr. Zhijun Lin. Two of these members are non-executive Directors and five are independent non-executive Directors (details of whom are above).

### Conflicts of interest

The Board is responsible for ensuring that actual and potential conflict of interest between the Directors' duty to the Overseas Bank and their personal, professional or business interests are avoided or dealt with on the condition that the NZ Banking Group provided sufficient information for each Director and the Board to make informed judgment.

Accordingly, in matters to be discussed by the Board of Directors:

- (a) each Director, Supervisor, President and other members of the senior management must disclose to the Board any actual or potential conflict of interest that may exist or might reasonably be thought to exist as soon as the situation arises; and
- (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 who have no major 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.

### Transactions with Directors

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

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

### Guarantee arrangements

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

Under the Guarantee:

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

### Pending proceedings or arbitration

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

### Auditor

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

### Directors' and New Zealand Chief Executive Officer's Statements

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

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

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that, for the year ended 31 December 2024:

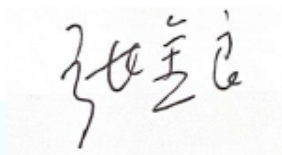
- (a) the Registered Bank has complied in all material respects with each condition of registration that applied during that period; and
- (b) the branch and CCBNZL had systems in place to monitor and control adequately the material risks of the NZ Banking Group including credit risk, concentration of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

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



**Mr. Yong Wang**  
**Dated: 26 March 2025**

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



**Mr. Jinliang Zhang**  
**CHAIRMAN & EXECUTIVE DIRECTOR**  
**Dated: 26 March 2025**

## Historical summary of financial statements

For the year ended 31 December	2024	2023	2022	2021	2020
<b>Financial Performance</b>					
Interest income	328,183	277,787	167,758	100,602	95,283
Interest expense	(241,538)	(190,901)	(98,682)	(39,497)	(46,618)
Other interest income / (expense)	181	77	-	-	(19)
<b>Net interest income</b>	<b>86,826</b>	<b>86,963</b>	<b>69,076</b>	<b>61,105</b>	<b>48,646</b>
Net fees and commission income	7,563	10,588	10,299	8,969	6,622
Other income / (expense)	101	(15,586)	718	(3,242)	(4,603)
<b>Net operating income before operating expenses and impairment charges</b>	<b>94,490</b>	<b>81,965</b>	<b>80,093</b>	<b>66,832</b>	<b>50,665</b>
Operating expenses	(21,573)	(20,448)	(18,816)	(18,328)	(18,273)
Impairment write-backs / (charges) on credit exposures	1,215	4,495	(2,722)	(210)	(7,903)
<b>Profit before income tax</b>	<b>74,132</b>	<b>66,012</b>	<b>58,555</b>	<b>48,294</b>	<b>24,489</b>
Income tax expense	(20,247)	(18,082)	(16,711)	(13,442)	(6,948)
<b>Profit after income tax attributable to the owner of the NZ Banking Group</b>	<b>53,885</b>	<b>47,930</b>	<b>41,844</b>	<b>34,852</b>	<b>17,541</b>
Dividends paid on ordinary shares	-	-	-	-	-
Repatriation of profits to Head office	-	-	-	-	-
<b>As at 31 December</b>					
<b>Financial Position</b>					
Total assets	5,058,239	4,532,850	4,660,909	4,376,193	3,311,365
Total individually impaired assets	-	-	-	-	-
Total liabilities	4,630,233	4,161,320	4,336,258	4,089,161	3,059,143
Total shareholder's equity	343,048	312,607	287,593	263,027	240,854
Total Head office account	84,958	58,923	37,058	24,005	11,368

The amounts disclosed in this historical summary of financial statements have been taken from the audited financial statements of the NZ Banking Group.



## Statement of comprehensive income

For the year ended 31 December	Note	2024	2023
Interest income	2	328,183	277,787
Interest expense	2	(241,538)	(190,901)
Other interest income / (expense)	2	181	77
<b>Net interest income</b>	2	<b>86,826</b>	<b>86,963</b>
Net fees and commission income	3	7,563	10,588
Other income / (expense)	3	101	(15,586)
<b>Net operating income before operating expenses and impairment charges</b>		<b>94,490</b>	<b>81,965</b>
Operating expenses	4	(21,573)	(20,448)
Impairment write-backs / (charges) on credit exposures	5	1,215	4,495
<b>Profit before income tax</b>		<b>74,132</b>	<b>66,012</b>
Income tax expense	6 (a)	(20,247)	(18,082)
<b>Profit after income tax attributable to the owner of the NZ Banking Group</b>		<b>53,885</b>	<b>47,930</b>
<b>Other comprehensive income, net of tax</b>			
Other comprehensive income / (expense) which may be reclassified to profit or loss			
Net change in cash flow hedge reserve		2,558	(1,337)
Net change in FVOCI reserve		33	286
<b>Total other comprehensive income / (expense), net of tax</b>		<b>2,591</b>	<b>(1,051)</b>
<b>Total comprehensive income attributable to the owner of the NZ Banking Group</b>		<b>56,476</b>	<b>46,879</b>

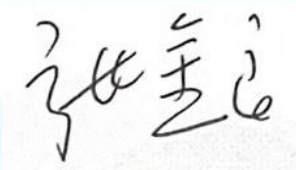
## Statement of changes in equity

	<b>NZ Banking Group</b>								<b>Total</b>
	<b>NZ Branch</b>				<b>CCBNZL</b>				
	Share capital	Retained earnings	Cash flow hedge reserve	FVOCI reserve	Share capital	Retained earnings	Cash flow hedge reserve	FVOCI reserve	
<b>For the year ended 31 December 2024</b>									
Balance at 1 January 2024	-	60,752	(1,829)	-	199,178	117,023	(3,728)	134	371,530
Profit after income tax	-	25,637	-	-	-	28,248	-	-	53,885
Other comprehensive income / (expense)	-	-	398	-	-	-	2,160	33	2,591
<b>Total comprehensive income / (expense) for the year</b>	<b>-</b>	<b>25,637</b>	<b>398</b>	<b>-</b>	<b>-</b>	<b>28,248</b>	<b>2,160</b>	<b>33</b>	<b>56,476</b>
<b>Balance at 31 December 2024</b>	<b>-</b>	<b>86,389</b>	<b>(1,431)</b>	<b>-</b>	<b>199,178</b>	<b>145,271</b>	<b>(1,568)</b>	<b>167</b>	<b>428,006</b>
<b>For the year ended 31 December 2023</b>									
Balance at 1 January 2023	-	39,505	(2,447)	-	199,178	90,340	(1,773)	(152)	324,651
Profit after income tax	-	21,247	-	-	-	26,683	-	-	47,930
Other comprehensive expense	-	-	618	-	-	-	(1,955)	286	(1,051)
<b>Total comprehensive income / (expense) for the year</b>	<b>-</b>	<b>21,247</b>	<b>618</b>	<b>-</b>	<b>-</b>	<b>26,683</b>	<b>(1,955)</b>	<b>286</b>	<b>46,879</b>
<b>Balance at 31 December 2023</b>	<b>-</b>	<b>60,752</b>	<b>(1,829)</b>	<b>-</b>	<b>199,178</b>	<b>117,023</b>	<b>(3,728)</b>	<b>134</b>	<b>371,530</b>

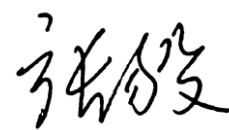
## Balance sheet

<u>As at 31 December</u>	Note	2024	2023
<b>Assets</b>			
Cash and balances with central banks	8	447,315	372,436
Due from other financial institutions	9	129,354	128,439
Investment securities	10	219,895	338,889
Loans and advances	11	4,003,455	3,661,028
Due from related parties	20	485	967
Derivative financial assets	12	249,024	21,915
Property, plant and equipment	13	3,032	4,058
Intangible assets		96	30
Deferred tax assets	6 (b)	4,906	4,706
Other assets		677	382
<b>Total assets</b>		<b>5,058,239</b>	<b>4,532,850</b>
<b>Liabilities</b>			
Due to other financial institutions	14	1,722,532	1,249,195
Deposits from customers	15	556,654	509,320
Debt securities issued	16	713,266	872,408
Due to related parties	20	1,616,223	1,449,368
Current tax liabilities		5,949	5,908
Derivative financial liabilities	12	7,735	62,976
Other liabilities	17	7,874	12,145
<b>Total liabilities</b>		<b>4,630,233</b>	<b>4,161,320</b>
<b>Head Office account</b>			
Retained earnings		86,389	60,752
Reserves		(1,431)	(1,829)
<b>Total Head Office account</b>		<b>84,958</b>	<b>58,923</b>
<b>Equity</b>			
Share capital	18	199,178	199,178
Retained earnings		145,271	117,023
Reserves		(1,401)	(3,594)
<b>Total equity</b>		<b>343,048</b>	<b>312,607</b>
<b>Total equity attributable to the owner of the NZ Banking Group</b>		<b>428,006</b>	<b>371,530</b>
<b>Total liabilities and equity</b>		<b>5,058,239</b>	<b>4,532,850</b>
Total interest earning and discount bearing assets		4,805,060	4,501,207
Total interest and discount bearing liabilities		4,577,023	4,058,690

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



**Mr. Jinliang Zhang**  
CHAIRMAN & EXECUTIVE DIRECTOR  
Dated: 26 March 2025



**Mr. Yi Zhang**  
VICE CHAIRMAN & EXECUTIVE DIRECTOR  
Dated: 26 March 2025

## Statement of cash flows

<u>For the year ended</u>	2024	2023
<b>Cash flows from operating activities</b>		
Interest received	314,484	254,916
Interest paid	(227,068)	(203,245)
Income received from financial instruments designated as FVOCI	12,575	11,695
Non-interest income received	8,286	10,273
Non-interest expense paid	(276,661)	29,776
Operating expenses paid	(20,350)	(18,900)
Income taxes paid	(21,401)	(17,750)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>	<b>(210,135)</b>	<b>66,765</b>
Net changes in operating assets and liabilities:		
Net change in GST receivable	(39)	(49)
Net change in other assets	(256)	(127)
Net change in loans and advances	(345,767)	(395,551)
Net change in due from related parties	13	(14)
Net change in due to other financial institutions	473,337	(194,384)
Net change in deposits from customers	42,391	44,385
<b>Net changes in operating assets and liabilities</b>	<b>169,679</b>	<b>(545,740)</b>
<b>Net cash flows provided by / (used in) operating activities</b>	<b>7 (40,456)</b>	<b>(478,975)</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	-	(149,918)
Proceeds from investment securities	122,518	-
Purchase of property, plant and equipment	(35)	(88)
Purchase of intangible assets	(78)	(25)
<b>Net cash flows used in investing activities</b>	<b>122,405</b>	<b>(150,031)</b>
<b>Cash flows from financing activities</b>		
Amount borrowed from related parties	156,283	2,590
Repayment of due to related parties	(76)	(143,745)
Issuance of debt securities	16 213,201	455,000
Repayment of debt securities	16 (375,000)	(345,000)
Repayment of subordinated debt	-	(15,000)
Repayment of principal portion of lease liabilities	(1,032)	(997)
<b>Net cash flows provided by / (used in) financing activities</b>	<b>(6,624)</b>	<b>(47,152)</b>
Net increase / (decrease) in cash and cash equivalents	75,325	(676,158)
<b>Cash and cash equivalents at beginning of the year</b>	<b>501,828</b>	<b>1,177,986</b>
<b>Cash and cash equivalents at end of the year</b>	<b>27 (b) 577,153</b>	<b>501,828</b>
<b>Cash and cash equivalents at end of the year comprise:</b>		
Cash and balances with central banks	27 (b) 447,315	372,436
Due from other financial institutions (call or original maturity of 3 months or less)	27 (b) 129,354	128,439
Due from related parties (nostro account)	27 (b) 484	953
<b>Cash and cash equivalents at end of the year</b>	<b>577,153</b>	<b>501,828</b>

## Notes to the Financial statements

### 1. Statement of accounting policies

#### 1.1 Reporting entity

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

These financial statements were approved for issue by the Board of the Overseas Bank on 26 March 2025.

#### 1.2 Basis of preparation

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

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

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

#### 1.3 Basis of aggregation

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

#### 1.4 Presentation currency and rounding

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

#### 1.5 Comparative data

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

#### 1.6 Changes in accounting policies

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

During the six months ended 30 June 2024, the NZ Banking Group changed the presentation of its net cash flow from operating activities back to the Direct method. Previously, the interim cash flow statement was presented using the Indirect method to align with the presentation used by the Ultimate Parent Bank. The change in presentation enhances the ability of users to understand how the NZ Banking Group generates and uses cash and cash equivalents from operating activities during the reporting periods. The reconciliation of profit after income tax to net cash flows from operating activities is summarised in Note 7.

#### (a) Accounting standards adopted in the period

The following amendments to accounting standards relevant to the NZ Banking Group have been adopted from the 1st of January 2024 and have been applied in the preparation of these financial statements.

#### Disclosure of fees for audit firms' services (Amendments to FRS-44)

Amendments were issued to FRS-44 New Zealand Additional Disclosures (Amendments to FRS-44) that require an entity to describe the services provided by its audit or review firm and to disclose the fees incurred by the entity for those services using prescribed categories. These amendments apply to accounting periods beginning on or after 1 January 2024. The NZ Banking Group has adopted the Amendments to FRS-44 from 1 January 2024. Refer to Note 4 - Operating expenses for further details.

## (b) Standards and amendments issued but not yet effective

In May 2024, the External Reporting Board issued NZ IFRS 18 *Presentation and Disclosure in Financial Statements* ("NZ IFRS 18"). NZ IFRS 18 replaces NZ IAS 1 *Presentation of Financial Statements* and will be effective for the NZ Banking Group from 1 October 2027. NZ IFRS 18 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.

Management have considered other amendments to NZ IFRS issued but not yet effective and have concluded they have no material impact on the NZ Banking Group's financial position or performance. No new standards, amendments or interpretations to existing standards that are not yet effective have been early adopted by the NZ Banking Group in these financial statements.

## 1.7 Particular accounting policies

### (a) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when recognised in other comprehensive income ("OCI") as qualifying cash flow hedges.

Translation differences on non-monetary items measured at FVTPL are reported as part of the fair value gain or loss on these items.

### (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 the revenue can be reliably measured.

#### *Interest income*

Interest income for all interest earning financial assets excluding those measured through FVTPL is recognised in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments over the expected life of the financial instrument, or when appropriate, over a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument but do not consider ECL. The calculation includes all fees and other amounts received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For financial assets that are POCI, the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. For financial assets that are not POCI but have subsequently become credit-impaired (or stage 3), interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision).

#### *Other interest income / (expense)*

Interest earned on investment securities and interest expense incurred on borrowings from related parties that are measured at FVTPL is recognised and presented as 'Other interest income / (expense)' within net interest income.

#### *Fee and commission income*

Fee and commission income from contracts with customers is measured based on the consideration specified in the contract. The NZ Banking Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Lending and credit facility related fee income	The NZ Banking Group provides banking services to retail and corporate customers, including account management, provision of revolving facilities, and foreign currency transactions. Fees for ongoing account management are charged to the customer's account on a monthly basis. The NZ Banking Group sets the rate separately for retail and corporate banking customers.	Revenue from account service and servicing fees is recognised over time as the services are provided to customers.
Trade finance and other fee income	Transaction-based fees for interchange, foreign currency transactions and revolving facilities are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed and variable rates.	Revenue related to the transactions is recognised at the point in time when the transaction takes place.

### Trading income

Realised gains and losses and unrealised gains and losses arising from changes in the fair value of trading assets and trading liabilities are recognised as trading income under Other income / (expense) in Note 3 in the profit or loss in the period in which they arise, except for recognition of day one profits or losses which are deferred where certain valuation inputs are unobservable. Interest income or interest expense on the trading portfolio is recognised as part of net interest income.

### Gain or loss on disposal of property, plant and equipment

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sale proceeds less costs of disposal and the carrying amount of the respective asset and is recognised in the profit or loss as non-interest income.

## (c) Expense recognition

### Interest expense

Interest expense, including premiums or discounts and associated expenses incurred on the issue of financial and lease liabilities, is recognised in the profit or loss using the effective interest method.

### Loan origination expenses

Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:

- fees and commissions payable to brokers and certain customer incentive payments in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the effective yield of the financial asset over its expected life using the effective interest method.

### Leasing

Interest expense on 'lease liabilities' and depreciation on 'right-of-use assets' is recognised in the profit or loss as an expense.

### Impairment losses on credit exposures

The loss recognised in the profit or loss for impairment on credit exposures reflects the net movement in the provisions for credit exposures, write-offs and recoveries of impairments previously written off.

### Commissions and other fees

All other fees and commissions are recognised in the profit or loss over the period in which the related service is received.

### Employee benefits

Employee entitlements to salaries and wages, bonus, annual leave, long service leave, retirement and other similar benefits are recognised in the profit or loss when they accrue to employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the profit or loss as they fall due.

### Other expenses

All other expenses are recognised in the profit or loss on an accruals basis as the related service is received.

## (d) Taxation

### *Income tax expense*

Income tax on profit or loss for the period comprises current and deferred tax and is based on the applicable tax law. It is recognised in the profit or loss as tax expense or benefit, except when it relates to items recognised in OCI or directly in equity, in which case it is recorded in OCI or directly in equity respectively, or where it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.

### *Current tax*

Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

### *Deferred tax*

Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those relating to taxable temporary differences arising from goodwill. They are also recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures, except where the NZ Banking Group is able to control the reversal of the temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset or liability giving rise to them is realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the NZ Banking Group, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

### *Offsetting*

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes levied by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

### *Goods and services tax*

Income, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from Inland Revenue. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the operating expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, Inland Revenue is included as other assets or other liabilities in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to Inland Revenue, are classified as operating cash flows.

## (e) Financial assets

### *Classification*

The NZ Banking Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the NZ Banking Group's business model for managing the financial assets and the contractual terms of the cash flows.

The NZ Banking Group reclassifies financial assets when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in profit or loss.
- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in profit or loss.
- **FVTPL:** Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a financial asset that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### **Recognition and measurement of financial assets**

Financial assets are recognised when the NZ Banking Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on trade-date or the date on which the NZ Banking Group commits to purchase or sell the asset.

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at FVTPL are expensed immediately.

Subsequent to initial recognition, the NZ Banking Group measures different categories of financial assets at amortised cost, FVOCI or FVTPL respectively. Financial liabilities other than those measured at FVTPL are measured at amortised cost using the effective interest method.

#### **(i) Financial assets measured at FVTPL**

Gains and losses from changes in the fair value of financial assets measured at FVTPL are recognised in profit or loss. Interest earned on financial assets measured at FVTPL is recognised as net income from financial instruments designated at FVTPL and does not form part of interest income in profit or loss.

#### **(ii) Financial assets measured at FVOCI**

The impairment losses, foreign exchange gains and losses and interest income calculated using the effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Other changes in carrying amount are recognised in OCI.

When financial assets measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in OCI.

#### **(iii) Financial assets measured at amortised cost**

The amortised cost of a financial asset should be measured with the initial recognition after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

### **Effective interest rate**

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected lifetime of the financial asset to its carrying amount of a financial asset less any impairment allowance. The calculation does not consider ECL but includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate. The NZ Banking Group determines interest income based on the carrying amount of financial assets multiplied by the effective interest rate, except that (i) for purchased or sourced financial assets that have suffered credit impairment, from the initial recognition, interest income is calculated using the financial asset's amortised cost and credit-adjusted real interest rate; (ii) for a purchased or sourced financial asset that has not suffered credit impairment but has become credit impaired in subsequent periods, interest income is determined using the financial asset's amortised cost and the effective interest rate. If the financial asset no longer has credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the carrying amount of the financial asset.

### **Cash and balances with central banks**

Cash and balances with central banks include settlement account balances. These balances have an original maturity of less than three months. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost or the gross value of the outstanding balance, where appropriate.

### **Due from other financial institutions**

Due from other financial institutions is defined by the nature of the counterparty and includes loans, nostro balances, deposit funds placed, collateral placed, reverse repurchase agreements, and cash at bank and due from other financial institutions. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost using the effective interest method, less impairment where applicable.

### **Investment securities**

Investment securities are non-derivative financial assets, which includes short and long term public and other debt securities investments by the NZ Banking Group. The fair value of securities is based on quoted market prices, where available, or calculated using discounted cash flow models based on current market rates.

The classification depends on the business model of the NZ Banking Group's business model for managing the investment securities and the contractual terms of the cash flows.

### **Derivative assets**

Derivative assets are measured at FVTPL. The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is used as a hedging instrument and, if so, the nature of the item being hedged. Refer to (h) below for more details on derivatives.

### **Loans and advances**

Loans and advances cover all forms of lending provided to customers such as revolving credit facilities and term loans. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost using the effective interest method, less impairment where applicable.

### **Due from related parties**

This amount includes all amounts due from related parties of the NZ Banking Group, and is accounted for as financial assets at amortised cost as above.

### **Other assets**

Other assets include fees and commissions receivable, receivables relating to unsettled transactions and trade debtors.

### **Impairment of financial assets**

At the end of each reporting period, the NZ Banking Group performs an impairment assessment based on ECL on financial assets measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The ECL refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received discounted at the original real interest rate by the NZ Banking Group, that is, the present value of all cash shortages. Among them, financial assets that have been purchased or sourced by the NZ Banking Group and have suffered credit impairment are discounted according to the effective interest rate of the financial assets after credit adjustments.

The NZ Banking Group's method of measuring ECL of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

At the end of each reporting period, the NZ Banking Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition, and measures its ECL and recognises its loss provision and changes from the prior period in the following cases: (i) if the credit risk of the financial instrument has not increased significantly since the initial recognition, the NZ Banking Group measures its loss provision based on the amount equivalent to the ECL of the financial instrument in the next 12 months; (ii) if the credit risk of the financial instrument has increased significantly since the initial recognition, the NZ Banking Group measures its loss provision based on the amount of lifetime ECL of the financial instrument. Under the above circumstances, regardless of whether the NZ Banking Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom is included in the current profit or loss as an impairment loss or gain.

For investment securities measured at FVOCI, the NZ Banking Group recognises the allowance for impairment in OCI and impairment losses or gains in profit or loss.

In cases where the loss provision is measured at the amount equivalent to the lifetime ECL of the financial instrument, and the financial instrument is no longer having SICR at the end of the current reporting period, the NZ Banking Group measures its loss provision based on the amount of its ECL for the next 12 months, and the reversal of the loss provision is recognised in profit or loss for the current reporting period.

For financial assets that have been purchased or sourced with credit impairment, the NZ Banking Group only recognises cumulative changes in lifetime ECL after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the NZ Banking Group recognises the amount of the change in lifetime ECL as an impairment loss or gain in current profit or loss.

#### o **Segmentation of financial instruments**

The NZ Banking Group adopts a “three-stage” model for impairment, based on changes in credit quality since initial recognition, to estimate the ECL.

The key definition of the three stages are summarised below:

- Stage 1: 12-months ECL – for financial instruments with no SICR after initial recognition, ECL in the next 12 months are recognised.
- Stage 2: Lifetime ECL – not credit impaired – for financial instruments with SICR since initial recognition, but no objective evidence of impairment, lifetime ECL are recognised.
- Stage 3: Lifetime ECL – credit impaired – for financial assets that show objective evidence of impairment at the end of the reporting period, lifetime ECL are recognised.

#### o **Significant increase in credit risk**

The NZ Banking Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on a quarterly basis. The NZ Banking Group considers all reasonable and supportable information, including forward-looking information, which reflects the SICR. The major factors considered include regulatory and business environment, internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviours, etc. The NZ Banking Group compares the risk of a default occurring as at the end of the reporting period with that as at the date of initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk characteristics. The NZ Banking Group considers the change in PD, whether the overdue exceeds 30 days, and other factors to determine whether there is SICR since initial recognition.

#### o **Definition of default and credit-impaired assets**

The NZ Banking Group considers a financial instrument is in default when:

- the debt interest or principal payments are greater than 90 days past due;
- the NZ Banking Group has stopped accruing interest, or applied off-balance sheet treatment to the accrued interest on the debt;
- the debt is written off due to deteriorating customer's financial position;
- significant credit provision is raised as a result of customer's deteriorating financial position;
- the debt is sold, resulting in a loss;
- the debt is restructured by the NZ Banking Group, for reasons relating to the customer's financial difficulty, on terms that the NZ Banking Group would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the customer has applied for or entered bankruptcy, or other similar protection status, resulting in the loss of ability and/or delay in meeting its repayment obligation(s);
- where the NZ Banking Group has determined that factors affecting the customers ability to repay their debt in full are present.

The determination of default is undertaken at the contract level for the retail portfolio, where only the debt that meets one of the criteria above will be deemed to be in default. The default determination in the non-retail portfolio is undertaken at a customer level, where all the customers debts are considered to be in default if one of its debts meets the criteria above.

The NZ Banking Group's definition of default has been consistently applied to the modelling process of PD, LGD and EAD during the ECL calculation.

#### o **Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

The ECL is recognised on either a 12-month or lifetime basis. Lifetime basis is used only where a SICR has occurred since initial recognition or a financial instrument is considered to be credit impaired. ECL are the discounted product of the weighted average of PD, LGD and EAD under the three scenarios, defined as follows:

- PD represents the consideration of forward-looking information on the likelihood of a borrower defaulting on its financial obligation in the future.
- LGD represents an estimate of loss arising. It is expressed as a percentage of EAD.
- EAD is based on the total amount of risk exposure on and off balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of product.
- The discount rate used in the ECL calculation is the effective interest rate.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how the collateral values change etc. are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques. Assumptions have been updated to reflect change in market conditions, global economic uncertainties (see note 23) and country risk considerations made during the reporting period.

#### o *Forward looking information incorporated in the ECL*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The NZ Banking Group assesses ECL in positive, neutral and negative scenarios. Following this assessment, the NZ Banking Group measures ECL as a weighted average probability of ECL in the next 12-months under the three scenarios for Stage 1 financial instruments, and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

#### *Nature and effect of modifications on the measurement of doubtful debts*

The NZ Banking Group sometimes renegotiates or otherwise modifies contracts with counterparties. If the new terms are substantially different, the NZ Banking Group derecognises the original financial asset and recognises a 'new' asset under the revised terms.

If the renegotiation or modification does not result in derecognition, but leads to changes in contractual cash flows, the NZ Banking Group assesses whether a SICR has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under the original terms.

### **(f) Non-financial assets**

#### *Property, plant and equipment*

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost is the fair value of the consideration provided plus any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred. Impairment is recognised as an operating expense in the profit or loss.

Depreciation is calculated using the straight-line method to allocate the cost of assets less any residual value over their estimated useful lives.

- |                           |   |
|---------------------------|---|
| ● Furniture and equipment | 8 years                                   |
| ● Computer equipment      | 5 years                                   |
| ● Motor vehicles          | 8 years                                   |
| ● Leasehold improvements  | Lesser of 8 years or remaining lease term |

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance date.

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Property, plant and equipment also include right-of-use assets under NZ IFRS 16 *Leases*. The NZ Banking Group recognises a right-of-use asset at commencement date of a lease. The right-of-use asset is initially measured at cost, with cost being the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### *Intangible assets*

Intangible assets comprise computer software licences and computer software costs and are carried at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These assets are amortised over their expected useful lives on a straight line basis over periods generally ranging from 3 to 5 years.

Internal and external costs directly incurred in the development of computer software, including subsequent upgrades and enhancements, are recognised as intangible assets when it is probable that they will generate future economic benefits attributable to the NZ Banking Group. These assets are amortised over their expected useful lives on a straight line basis.

## (g) Financial liabilities

### Classification

The NZ Banking Group classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortised cost.

#### (i) Financial liabilities at FVTPL

Financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of sale or repurchase in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

#### (ii) Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVTPL.

### Recognition and measurement of financial liabilities

Financial liabilities are recognised when the NZ Banking Group becomes a party to the contractual provisions of the instruments.

Financial liabilities measured at FVTPL: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains or losses arising due to changes in the fair value of the liability are recognised in profit or loss. Financial liabilities designated as measured at FVTPL are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the NZ Banking Group's own credit risk should be included in OCI; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with above, the NZ Banking Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss.

Financial liabilities measured at amortised cost are initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. A gain or loss is recognised in profit or loss when the financial liability is derecognised.

### Due to other financial institutions

Due to other financial institutions is defined by the nature of the counterparty, and includes deposits, vostro balances, collateral received, repurchase agreements and settlement account balances due to other financial institutions. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Deposits from customers

Deposits and other borrowings cover all forms of funding from customers including transactional and savings accounts, term deposits and foreign currency accounts. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Derivative liabilities

Derivative liabilities are measured at FVTPL. The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is used as a hedging instrument and, if so, the nature of the item being hedged. Refer to (h) below for more details on derivatives.

### Debt securities issued

Debt securities are certificates of deposit, commercial paper, bonds and notes that have been issued by the NZ Banking Group. They are either accounted for at amortised cost or at FVTPL. If the liability is accounted for at amortised cost, it is initially recorded at the fair value of the consideration received, net of transaction costs. Subsequently, the debt is measured at amortised cost using the effective interest method. If the liability is accounted for at FVTPL, the debt issue is initially recognised at the fair value of the consideration received. Debt issues are measured at FVTPL to eliminate or significantly reduce an accounting mismatch.

### Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are issued in the ordinary course of business, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given; typically, this is the premium received. Subsequent to initial recognition, the NZ Banking Group's liabilities under such guarantees are measured at the higher of:

- the amount initially recognised less, when appropriate, amortisation of the fee which is recognised over the life of the guarantee; and
- where it is likely the NZ Banking Group will incur a loss as a result of issuing the contract, the estimated amount of the loss payable. These estimates are determined based on experience of similar transactions and history of past losses.

#### **Due to related parties**

This amount includes all amounts due to related parties of the NZ Banking Group. They are initially recorded at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

#### **Subordinated debt**

Subordinated debt securities are notes that have been issued by the NZ Banking Group. They are initially recorded at the fair value of the consideration received, net of transaction costs. Subsequently, the subordinated debt is measured at amortised cost using the effective interest method.

#### **Other liabilities**

Other liabilities include provision for off-balance sheet credit related business, fees payable, payables relating to unsettled transactions and trade creditors. Other liabilities are recorded at fair value of the consideration received, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Other liabilities also includes lease liabilities upon adoption of NZ IFRS 16 *Leases*. 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 readily determined, the NZ Banking Group's incremental borrowing rate. Generally, the NZ Banking Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability includes fixed payments as per lease contracts. It is remeasured when there is a change in future lease payments arising from changes in lease contracts. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### **(h) Derivative financial instruments and hedge accounting**

Derivative financial instruments are contracts whose value is derived from one or more underlying price indices or other variables. They include swaps (interest rate and currency), forward rate agreements, futures, options and combinations of these instruments.

All derivatives are recognised in the balance sheet at fair value on trade date and are classified as held-for-trading except where they are used as part of an effective hedge relationship. The carrying value of a derivative is re-measured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is used as a hedging instrument and, if so, the nature of the item being hedged. The NZ Banking Group designates certain derivatives as either hedges of movements in the fair value of recognised assets and liabilities or firm commitments (fair value hedge) or hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The NZ Banking Group documents, at inception of the transaction, the relationship between the hedging instrument and the hedged item, the NZ Banking Group's risk management objective and strategy for undertaking the hedge transaction and the methods that will be used to assess the effectiveness of the hedging relationship. The NZ Banking Group formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging instrument has been highly effective in offsetting changes in the fair value or cash flows of the hedged item.

A hedge is regarded as highly effective if, at inception and throughout its life, the NZ Banking Group can expect changes in the fair value or cash flows of the hedged item to be almost fully offset by the changes in the fair value or cash flows of the hedging instrument, and actual results of the hedge are within a range of 80% to 125% of these changes. The NZ Banking Group also performs a qualitative assessment of effectiveness. The NZ Banking Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item or the amount by which changes in the cash flows of the hedging instrument differ from changes (or expected changes) in the present value of the cash flows of the hedged item.

Any derivative that is de-designated as a hedging derivative will be accounted for as held-for-trading from the time that it is de-designated, with all subsequent movements in fair value recognised in the profit or loss.

### **Fair value hedge accounting**

Where the NZ Banking Group hedges the fair value of a recognised asset or liability or firm commitment, changes in the fair value of the derivative designated as a fair value hedge are recognised in the profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are reflected in adjustments to the carrying value of the hedged item, which are also recognised in the profit or loss.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit or loss on an effective yield basis over the period to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the profit or loss.

### **Cash flow hedge accounting**

The effective portion of changes in the fair value of derivatives that are designated and qualify for cash flow hedge accounting are recognised in OCI, while the gain or loss relating to any ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in reserves are transferred to the profit or loss in the period in which the hedged item will affect the profit or loss.

When a hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting, any cumulative gain or loss existing in reserves at that time remains in reserves and is recognised in the profit or loss when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in reserves is immediately transferred to the profit or loss.

### **(i) Offsetting**

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument;
- where gains and losses relating to fair value hedges are assessed as effective; or
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses.

### **Offsetting of financial assets and financial liabilities**

Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a legally enforceable right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **(j) Provisions**

A provision is recognised in the balance sheet when the NZ Banking Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **(k) Contingent liabilities**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but are disclosed, unless the possibility of payment is remote.

### **(l) Leases**

A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. In its capacity as a lessee, the NZ Banking Group mainly leases assets which includes property and office equipment leases.

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 short-term leases (less than 12 months) and low-value assets. 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 in the profit or loss.

The right-of-use asset 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 right-of-use asset is depreciated over the lease term on a straight-line basis.

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 the incremental borrowing rate. The lease liability is subsequently increased by the interest cost of the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from renewal of leases upon expiry of the lease asset contracts.

## (m) Equity

### Shares

Issued shares are recognised at the amount paid per share net of directly attributable issue costs.

### Cash flow hedge reserve

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

### Dividend distribution

Dividends are recognised in equity in the period in which they are approved. Proposed dividends which are declared and approved after the end of each reporting period are not recognised in the balance sheet and are instead disclosed as a subsequent event in a note to the financial statements.

## (n) Statement of cash flows

### Cash and cash equivalents

For presentation purposes within the cash flow statement, cash and cash equivalents include cash and cash at bank, cash in transit, call deposits and settlement account balances with the central bank (with an original maturity of three months or less) and money at short call (deposit and settlement accounts with other financial institutions with an original maturity of three months or less). Cash and cash equivalents do not include any accrued interest.

### Interest paid

Interest paid on debt securities issued, due to related parties, and all other interest paid is included as cash flows used in operating activities.

### Netting of cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of those customers rather than those of the NZ Banking Group, or are received and disbursed in transactions where the turnover is quick, the amounts are large and the maturities are short.

## 1.8 Critical accounting estimates, assumptions and judgements

The preparation of these financial statements in accordance with NZ IFRS requires management to make estimates and assumptions that affect the amounts reported. It also requires management to make judgements in the process of applying the NZ Banking Group's accounting policies.

Although the NZ Banking Group has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material. Estimates 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.

### a) Impairment of loans and advances

The measurement of the ECL allowance is based on the ECL model under NZ IFRS 9 *Financial Instruments*. This requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). An explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 1.7 (e).

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for SICR;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

### b) Fair value measurement

The valuation of financial instruments requires significant estimates and judgements. Refer to Note 19 for more details on the valuation of financial instruments.

There are no other assumptions made about the future, and no other major sources of estimation uncertainty as at 31 December 2024, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There are also no other judgements that management has made in the process of applying the NZ Banking Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.



## Financial Performance

### 2. Net interest income

	2024	2023
<b>Interest income</b>		
<sup>1</sup> Cash and balances with central banks	19,528	19,829
<sup>1</sup> Due from other financial institutions	1,516	5,518
<sup>1</sup> Loans and advances **	291,280	234,894
<sup>1</sup> Due from related parties **	307	633
<sup>2</sup> Investment securities **	15,552	16,913
<b>Total interest income</b>	<b>328,183</b>	<b>277,787</b>
<b>Interest expense</b>		
<sup>3</sup> Due to other financial institutions **	(65,831)	(30,538)
<sup>3</sup> Deposits and other borrowings **	(54,554)	(44,850)
<sup>3</sup> Due to related parties **	(72,595)	(66,487)
<sup>3</sup> Debt securities issued **	(48,485)	(48,932)
<sup>3</sup> Lease liabilities	(73)	(94)
<b>Total interest expense</b>	<b>(241,538)</b>	<b>(190,901)</b>
<b>Other interest income / (expense)</b>		
<sup>4</sup> Investment securities	181	77
<b>Total other interest income / (expense)</b>	<b>181</b>	<b>77</b>
<b>Total net interest income</b>	<b>86,826</b>	<b>86,963</b>

<sup>1</sup> Interest earned on financial assets classified and measured at amortised cost.

<sup>2</sup> Interest earned on financial assets classified and measured at FVOCI.

<sup>3</sup> Interest expense on financial liabilities classified and measured at amortised cost.

<sup>4</sup> Interest earned on financial assets classified and measured at FVTPL.

\*\* Comparative figures have been restated to reclassify interest income and expense across respective product categories and to align with presentation used in the related party note (Note 20).

### 3. Non-interest income

	2024	2023
<b>Fees and commission income</b>		
Lending and credit facility related fee income	8,091	10,225
Trade finance and other fee income <sup>1</sup>	23	604
<b>Total fees and commission income</b>	<b>8,114</b>	<b>10,829</b>
Other fee expense <sup>1</sup>	(551)	(241)
<b>Net fees and commission income</b>	<b>7,563</b>	<b>10,588</b>
<b>Other income / (expense)</b>		
Net ineffectiveness on fair value hedges	169	(593)
Net ineffectiveness on cash flow hedges	677	(558)
Other gains / (losses) on financial instruments <sup>2</sup>	(748)	(14,473)
Net gain on financial assets at FVTPL	3	38
<b>Total other income / (expense)</b>	<b>101</b>	<b>(15,586)</b>
<b>Total net non-interest income / expense</b>	<b>7,664</b>	<b>(4,998)</b>

<sup>1</sup> Comparative figures have been restated to reclassify Trade finance and other fee income to Other fee expense category.

<sup>2</sup> Includes customer driven trading income used for hedging purposes and unrealised gains/losses on derivative financial instruments held with related parties (refer Note 20).

## 4. Operating expenses

	2024	2023
Depreciation and amortisation <sup>1</sup>	1,121	1,056
Directors' fees	335	344
Fees paid to external auditors	304	280
Personnel expenses	15,323	15,171
Purchased services	2,198	1,634
Marketing expenses	225	336
Other expenses	2,067	1,627
<b>Total operating expenses</b>	<b>21,573</b>	<b>20,448</b>

<sup>1</sup> Depreciation and amortisation includes depreciation on leased assets of \$898,000 (31 December 2023: \$898,000).

### Fees paid to external auditors

Audit and review of financial statements <sup>1</sup>	280	280
Other assurance and agreed-upon procedure services <sup>2</sup>	24	-
Taxation services	-	-
Other services	-	-
<b>Total fees paid to the external auditors</b>	<b>304</b>	<b>280</b>

<sup>1</sup> The audit fees comprise the annual audit of the financial statements, review of the interim financial statements, and limited assurance on the disclosure of credit and market risk exposures and capital adequacy information.

<sup>2</sup> Fees paid for other assurance services comprise reasonable and limited assurance engagement services on greenhouse gas emissions.

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

	Other financial assets <sup>1</sup>	Residential mortgage loans	Corporate exposures	Other exposures	Off-balance sheet credit related business <sup>2</sup>	Total impairment loss
<b>For the year ended 31 December 2024</b>						
Movement in collectively assessed provisions	88	(1,770)	(559)	(7)	3,463	1,215
Movement in individually assessed provisions	-	-	-	-	-	-
Bad debts written-off directly to the profit or loss	-	-	-	-	-	-
Bad debts recovered	-	-	-	-	-	-
<b>Total impairment write-backs / (charges)</b>	<b>88</b>	<b>(1,770)</b>	<b>(559)</b>	<b>(7)</b>	<b>3,463</b>	<b>1,215</b>
<b>For the year ended 31 December 2023</b>						
Movement in collectively assessed provisions	22	2,211	1,962	-	440	4,635
Movement in individually assessed provisions	-	-	-	-	-	-
Bad debts written-off directly to the profit or loss	(140)	-	-	-	-	(140)
Bad debts recovered	-	-	-	-	-	-
<b>Total impairment write-backs / (charges)</b>	<b>(118)</b>	<b>2,211</b>	<b>1,962</b>	<b>-</b>	<b>440</b>	<b>4,495</b>

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

<sup>2</sup> The provision for off-balance sheet credit related business is included in other liabilities (Note 17).

## 6. Taxation

### (a) Income tax expense

	2024	2023
Current tax	20,447	16,211
Deferred tax	(200)	1,871
<b>Total income tax expense</b>	<b>20,247</b>	<b>18,082</b>
<b>Reconciliation of the prima facie income tax payable on profit</b>		
<b>Profit before income tax</b>	<b>74,132</b>	<b>66,012</b>
Tax at domestic rate (28%)	20,757	18,483
Tax effect of expenses not deductible for tax purposes	882	119
Tax effect of prior period adjustments	(1,379)	(520)
Other	(13)	-
<b>Total income tax expense</b>	<b>20,247</b>	<b>18,082</b>
<b>Effective tax rate</b>	<b>27.3%</b>	<b>27.4%</b>
<b>Income tax credited directly to equity</b>		
Deferred tax	-	(1,641)
<b>Total income tax credited directly to equity</b>	<b>-</b>	<b>(1,641)</b>

### (b) Deferred tax

<b>Deferred tax asset</b>		
Balance at beginning of year	4,706	8,218
Recognised in income statement	200	(1,871)
Recognised directly in equity	-	(1,641)
<b>Balance at end of year</b>	<b>4,906</b>	<b>4,706</b>
<b>Deferred tax assets / (liabilities) comprise the following temporary differences:</b>		
Provision for impairment losses on loans and advances	3,703	3,986
Provision for employee entitlements	1,012	837
Property, plant and equipment	59	107
Cash flow hedges	-	(1,556)
Other temporary differences <sup>1</sup>	132	1,332
<b>Total deferred tax assets (net) <sup>2</sup></b>	<b>4,906</b>	<b>4,706</b>
<b>Deferred taxation recognised in profit or loss</b>		
Provision for impairment losses on loans and advances	(283)	(1,364)
Provision for employee entitlements	175	(65)
Property, plant and equipment	(48)	(67)
Cash flow hedges	1,556	(1,556)
Other temporary differences	(1,200)	1,181
<b>Total deferred taxation recognised in profit or loss</b>	<b>200</b>	<b>(1,871)</b>
<b>Deferred taxation recognised in equity</b>		
Cash flow hedges	-	(1,641)
<b>Total deferred taxation recognised in equity</b>	<b>-</b>	<b>(1,641)</b>

<sup>1</sup> Included in other temporary differences are deferred tax assets of \$805,123 (31 December 2023: \$1,073,721) arising from lease liabilities and deferred tax liabilities of \$688,934 (31 December 2023: \$940,301) arising from right-of-use assets, and \$15,677 of deferred tax assets arising from expense provisions.

<sup>2</sup> Deferred tax assets and deferred tax liabilities are set-off where they relate to income tax levied by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

The NZ Banking Group does not have any unutilised tax losses that were available for offset against future taxable profits of the NZ Banking Group as at 31 December 2024 (31 December 2023: nil).

### Imputation credit account

The amount of imputation credits available to the NZ Banking Group as at 31 December 2024 for use in subsequent reporting periods is \$59.8m (31 December 2023: \$50.5m).

## 7. Net cash flows used in operating activities

<u>For the year ended 31 December</u>	2024	2023
<b>Reconciliation of profit after income tax to net cash flows from / (used in) operating activities</b>		
Profit after income tax	53,885	47,930
<b>Adjustments:</b>		
Impairment (gains) / losses on credit exposures	(1,215)	(4,495)
Depreciation and amortisation	1,073	969
Income tax expense	(1,154)	331
Unrealized (gain) / loss on financial instruments	(276,039)	45,047
Movement in interest accruals	13,315	(23,017)
<b>Net (increase) / decrease in operating assets:</b>		
GST receivable	(39)	(49)
Loans and advances	(345,767)	(395,551)
Due from related parties <sup>1</sup>	13	(14)
Other assets	(256)	(127)
<b>Net increase / (decrease) in operating liabilities:</b>		
Due to other financial institutions	473,337	(194,384)
Deposits from customers	42,391	44,385
<b>Net cash flow (used in) / from operating activities</b>	<b>(40,456)</b>	<b>(478,975)</b>

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

## Financial Position

### 8. Cash and balances with central banks

<u>As at 31 December</u>	2024	2023
Settlement account balances with central banks	447,315	372,436
<b>Total cash and balances with central banks</b>	<b>447,315</b>	<b>372,436</b>

### 9. Due from other financial institutions

<u>As at 31 December</u>	2024	2023
Placements with other financial institutions – call	9,272	13,469
Placements with other financial institutions – term	120,126	114,987
Provision for impairment losses	(44)	(17)
<b>Total amount due from other financial institutions</b>	<b>129,354</b>	<b>128,439</b>

### 10. Investment securities

<u>As at 31 December</u>	2024	2023
<b>At FVOCI</b>		
Registered bank securities	85,589	85,685
Multilateral development banks and other international organisations	128,292	247,334
Government securities	6,014	5,870
<b>Total investment securities at FVOCI</b>	<b>219,895</b>	<b>338,889</b>

As at 31 December 2024, the NZ Banking Group had no investment securities encumbered through repurchase agreements (31 December 2023: \$51m). The \$51m encumbered as at 31 December 2023 was fully repaid during the financial year. Counterparties had the right to sell or repledge these encumbered securities. The NZ Banking Group's obligation to repurchase securities is classified under Note 14.

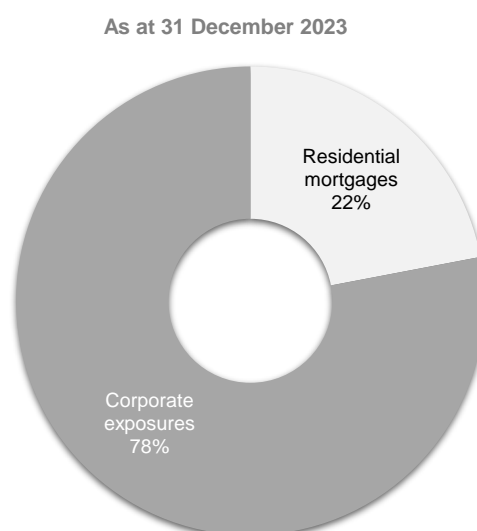
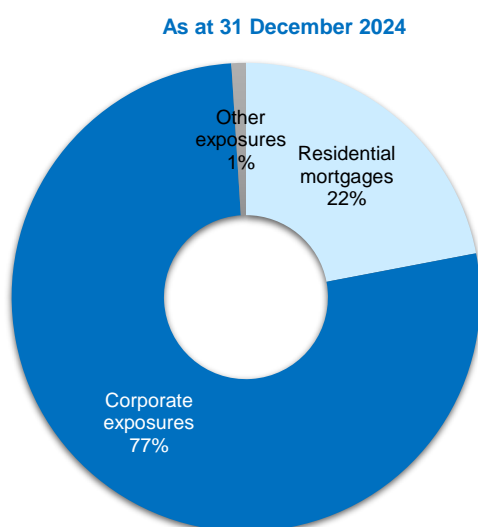
## 11. Loans and advances

### As at 31 December

	2024	2023
Residential mortgages	873,069	792,174
Corporate exposures	3,093,764	2,889,377
Other exposures <sup>1</sup>	59,495	-
<b>Total gross loans and advances</b>	<b>4,026,328</b>	<b>3,681,551</b>
Unearned income	(12,187)	(10,236)
Loan origination fees	2,398	1,554
Fair value hedge adjustments	(226)	(1,319)
<b>Loans and advances before provision for impairment</b>	<b>4,016,313</b>	<b>3,671,550</b>
Provision for impairment losses	(12,858)	(10,522)
<b>Total net loans and advances</b>	<b>4,003,455</b>	<b>3,661,028</b>

<sup>1</sup> Other exposures include forfeiting lending to overseas banks. As part of this transaction, the Ultimate Parent Bank provided a guarantee to the NZ Banking Group, ensuring reimbursement in the event of a loan default by overseas banks (refer Note 20 (c)).

The charts below show the percentage (%) breakdown of the gross loans and advances to customers.



## 12. Derivative financial instruments

	As at 31 December 2024			As at 31 December 2023		
	Notional principal amount	Fair values		Notional principal amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
<b>Held for trading</b>						
Interest rate swaps	29,600	64	63	29,600	524	523
Forward contracts	35,944	1,255	1,248	32,584	512	506
<b>Fair value hedges</b>						
Interest rate swaps	144,405	549	1,168	377,521	6,796	3,411
<b>Cash flow hedges</b>						
Cross currency interest rate swaps	266,501	21,240	-	-	-	-
<b>Dual fair value and cash flow hedges</b>						
Cross currency interest rate swaps	2,053,170	176,422	-	2,218,818	9,136	54,801
<b>Economic hedges</b>						
Forward contracts	-	-	-	468	-	10
FX swaps	1,323,590	49,494	5,256	323,073	4,947	3,725
<b>Total derivative financial instruments <sup>1</sup></b>	<b>3,853,210</b>	<b>249,024</b>	<b>7,735</b>	<b>2,982,064</b>	<b>21,915</b>	<b>62,976</b>

<sup>1</sup> Includes derivative financial instruments held with related parties (refer Note 20)

The NZ Banking Group uses derivatives for risk management purposes. These derivatives include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The treatment of changes in the derivative's fair value depends on their classification. Provided certain criteria are met for hedge accounting, either fair value or cash flow hedge accounting can be applied. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

### Purpose

The NZ Banking Group's derivative financial instruments have been categorised as follows:

(a) Held for trading	These are derivatives held in order to meet customer needs for managing their own risks, and manage risks in the NZ Banking Group that are not in a designated hedge accounting relationship. The held for trading positions consist of sales to customers. Sales to customers include the structuring and marketing of derivative products to customers which enable them to take or mitigate risks. Positions may be traded actively or held over a period of time to benefit from expected changes in market rates.
(b) Designated in hedging relationships (Fair value hedges, Cash flow hedges and Dual fair value and cash flow hedges)	These are derivatives designated as being in hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: (a) hedges of the NZ Banking Group's exposures to meet interest rate risk and currency risk; (b) hedges of other exposures relating to non-trading positions.
(c) Economic hedges	Derivatives which are used in balance sheet risk management activities but do not qualify for hedge accounting are recognised as economic hedges.

### Types of instruments

The NZ Banking Group offers or uses the following types of derivative financial instruments:

(a) Interest rate swaps	These are contracts to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place.
(b) Cross currency swaps	These are contracts to exchange interest payments and principal denominated in two different currencies.

### Risks managed

The NZ Banking Group offers and uses the instruments described above to manage fluctuations in the following market factors:

(a) Interest rate risk	The NZ Banking Group is exposed to interest rate risk primarily due to the inherent mismatches between the durations of its assets and liabilities and fluctuations in the term structure of interest rates. To quantify this exposure, the NZ Banking Group employs interest rate repricing schedules. Customer advances are categorized into time buckets based on their anticipated repricing dates. Interest rate derivatives are then designated to offset the net asset/liability positions within these time buckets, addressing the unhedged portion. Additionally, the NZ Banking Group utilizes swap benchmark interest rates to hedge fixed rate assets and liabilities.
(b) Foreign currency risk	The NZ Banking Group is exposed to foreign currency cash flows stemming from discrepancies in foreign currency asset and liability positions. To manage this risk, the NZ Banking Group employs cross-currency derivatives. Unhedged positions in specific currencies introduce foreign currency risk. The aggregate of net asset and net liability positions in a given currency constitutes the net foreign currency exposure, representing the unhedged position in that currency. Currency mismatch exposures on the balance sheet are hedged using FX spot, forwards, and FX options.
(c) Credit risk	The NZ Banking Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis within treasury policy guidelines, and with reference to a proportion of the notional amount of the contracts and the term to expiry of the contracts. To control the level of credit risk taken, the NZ Banking Group assesses counterparties based on their published credit rating compared with treasury policy limits.

**Derivatives in hedging relationships**

The NZ Banking Group has two types of hedge accounting relationships:

	<b>Fair value hedge</b>	<b>Cash flow hedge</b>
(a) Objective of this hedging arrangement	To hedge the NZ Banking Group's exposure to changes in the fair value of a recognised asset or liability, or unrecognised firm commitment caused by interest rate or foreign currency movements. The NZ Banking Group uses interest rate and cross currency swaps to hedge interest rate risk exposure of a portion of its fixed rate mortgage assets, investment securities, deposits from customers, borrowings and debt issuances included in debt issues at amortised cost.	To hedge the NZ Banking Group's exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements. The NZ Banking Group hedges fixed rate foreign currency denominated liabilities using a cross currency swap, designated as fair value hedges of interest rates and cash flow hedges of foreign exchange rates.
(b) Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: (a) all changes in the fair value of the underlying item related to the hedged risk; and (b) the change in the fair value of the derivative.	The effective portion of changes in the fair value of derivatives designated as a cash flow hedge is recognised in the cash flow hedge reserve.
(c) Recognition of ineffective hedge portion	Is recognised immediately in the profit or loss.	Is recognised immediately in the profit or loss.
(d) If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit or loss on an effective yield basis over the period to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the profit or loss.	The cumulative gain or loss on the hedging derivative remains in the cash flow hedge reserve until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line.
(e) Hedged item sold or repaid	The unamortised fair value adjustment is recognised immediately in the profit or loss.	If the forecasted transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in the cash flow hedge reserve is immediately transferred to the profit or loss.

The NZ Banking Group continues to apply the hedge accounting requirements of NZ IAS 39 Financial Instruments: Recognition and Measurement (NZ IAS 39) to assess hedge effectiveness. To qualify for hedge accounting a hedge is expected to be highly effective. A hedge is highly effective only if the following conditions are met:

- (a) the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated; and  
(b) the actual results of the hedge are within the range of 80% - 125%. The range of 80% to 125% allows for a reasonable level of deviation between the expected and actual results of our hedges due to various factors such as market volatility or changes in economic conditions.

The profile of the timing of the notional amount and average price of derivatives designated in hedge relationships is outlined in the following table.

<b>As at 31 December 2024</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
<b>Interest rate swaps</b>				
Receive floating - pay fixed	26,882	11,516	106,007	144,405
<b>Total notional amount</b>	<b>26,882</b>	<b>11,516</b>	<b>106,007</b>	<b>144,405</b>
<i>Weighted average interest rate</i>	3.12%	3.86%	3.95%	3.82%
<b>Cross currency interest rate swaps</b>				
Receive fixed - pay floating	133,250	714,694	1,205,226	2,053,170
Received floating - Pay floating	-	-	266,501	266,501
<b>Total notional amount</b>	<b>133,250</b>	<b>714,694</b>	<b>1,471,727</b>	<b>2,319,671</b>
<i>Weighted average interest rate</i>	4.58%	3.97%	4.03%	4.04%

As at 31 December 2023	Less than 3 months	3 to 12 months	1 to 5 years	Total
<b>Interest rate swaps</b>				
Receive floating - pay fixed	22,000	76,116	144,405	242,521
Receive fixed - pay floating	-	135,000	-	135,000
<b>Total notional amount</b>	<b>22,000</b>	<b>211,116</b>	<b>144,405</b>	<b>377,521</b>
<i>Weighted average interest rate</i>	<i>4.26%</i>	<i>4.18%</i>	<i>4.41%</i>	<i>4.27%</i>
<b>Cross currency interest rate swaps</b>				
Receive fixed - pay floating	336,404	766,266	1,116,148	2,218,818
<b>Total notional amount</b>	<b>336,404</b>	<b>766,266</b>	<b>1,116,148</b>	<b>2,218,818</b>
<i>Weighted average interest rate</i>	<i>5.40%</i>	<i>5.48%</i>	<i>4.73%</i>	<i>5.09%</i>

There were no transactions for which cash flow hedge accounting had to be ceased during the year ended 31 December 2024 as a result of highly probable cash flows no longer being expected to occur (31 December 2023: nil).

The impact of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	<u>Change in value of hedging instrument</u>		<u>Change in value of hedged item</u>		<u>Hedge ineffectiveness recognised in non- interest income</u>	
	2024	2023	2024	2023	2024	2023
	Fair value hedge (interest rate risk)	5,846	17,964	(5,716)	(18,557)	130
Cash flow hedges (currency risk)	233,021	(64,237)	(232,903)	63,679	118	(558)
<b>Total</b>	<b>238,867</b>	<b>(46,273)</b>	<b>(238,619)</b>	<b>45,122</b>	<b>248</b>	<b>(1,151)</b>

The following table shows the carrying amount of hedged items in a fair value hedge relationship and the component of the carrying amount related to the accumulated fair value hedge accounting adjustments. The Bank does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

<u>As at 31 December</u>	<u>Balance sheet presentation</u>	<u>Hedged risk</u>	<u>Carrying amount of hedged item</u>		<u>Accumulated fair value hedge adjustments</u>	
			2024	2023	2024	2023
<b>Assets</b>						
Fixed rate investment securities at FVOCI	Investment securities	Interest rate	130,646	152,157	441	(3,464)
Fixed rate residential mortgages and corporate exposures	Loans and advances (Residential mortgages)	Interest rate	13,974	85,581	(226)	(1,319)
<b>Total</b>			<b>144,620</b>	<b>237,738</b>	<b>215</b>	<b>(4,783)</b>
<b>Liabilities</b>						
Fixed rate foreign currency borrowings	Due to other financial institutions	Interest rate	1,024,444	1,179,688	(1,744)	(2,136)
Fixed rate time deposit	Deposits from customers	Interest rate	8,828	49,962	55	38
Fixed rate debt issuance	Debt securities issued	Interest rate	213,201	81,989	-	3,011
Fixed rate foreign currency borrowings	Due to related parties	Interest rate	1,047,955	948,697	26,931	35,004
<b>Total</b>			<b>2,294,428</b>	<b>2,260,336</b>	<b>25,242</b>	<b>35,917</b>



### 13. Property, plant and equipment

<u>As at 31 December</u>	2024	2023
Property, plant and equipment	4,418	4,383
Accumulated depreciation	(3,846)	(3,683)
<b>Total property, plant and equipment</b>	<b>572</b>	<b>700</b>
Right-of-use assets <sup>1</sup>	7,736	7,736
Accumulated depreciation	(5,276)	(4,378)
<b>Total right-of-use assets</b>	<b>2,460</b>	<b>3,358</b>
<b>Total property, plant and equipment</b>	<b>3,032</b>	<b>4,058</b>

<sup>1</sup> Includes leases for a corporate office in Auckland and a kitchen appliance.

Additions to the right-of-use assets for the year ended 31 December 2024 for the NZ Banking Group is nil (31 December 2023: nil).

### 14. Due to other financial institutions

<u>As at 31 December</u>	2024	2023
Placements from other financial institutions	1,722,532	1,194,332
Securities sold under agreements to repurchase from central banks	-	54,863
<b>Total amount due to other financial institutions</b>	<b>1,722,532</b>	<b>1,249,195</b>

### 15. Deposits from customers

<u>As at 31 December</u>	2024	2023
Demand deposits bearing interest	35,188	39,001
Deposits not bearing interest	12,229	7,285
Term deposits	509,237	463,034
<b>Total deposits from customers</b>	<b>556,654</b>	<b>509,320</b>

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

### 16. Debt securities issued

<u>As at 31 December</u>	2024	2023
<b>Short term debt</b>		
Registered certificates of deposit	-	60,000
<b>Long term debt</b>		
Medium-term notes	708,201	810,000
<b>Total debt securities issued at face value</b>	<b>708,201</b>	<b>870,000</b>
<b>Movement in debt securities issued</b>		
Balance at beginning of the year	872,408	754,322
Issuance during the year	213,201	455,000
Repayments during the year	(375,000)	(345,000)
Effect of fair value hedge adjustment	3,011	4,876
Net effect of transaction costs and accruals	(354)	3,210
<b>Balance at end of the year</b>	<b>713,266</b>	<b>872,408</b>

The distinction between short-term and long-term debt is based on the maturity of the underlying security at origination.

Included in total debt securities issued are fair value hedge adjustments of \$3,011,000 as at 31 December 2024 (31 December 2023: \$4,876,000).

Details of the debt securities issued by the NZ Banking Group as at 31 December 2024 are:

#### Short term debt

The NZ Banking Group's short term debt programme includes a RCD debt programme. The issuances occur in NZD only. RCD is issued under this programme at a discount. Interest rate risks associated with the issuances are incorporated within the NZ Banking Group's risk management framework. As at 31 December 2024, no RCDs were outstanding. Accordingly, the Weighted Average Interest Rate ("WAIR") as at 31 December 2024 was nil (31 December 2023: 6.38%).

#### Long term debt

The NZ Banking Group's long term debt includes notes issued under its Medium Term Note programme. The issuances occur in NZD and USD and notes issued under this programme have either fixed or variable interest rates. Interest rate risks associated with the issuances are incorporated within the NZ Banking Group's risk management framework. WAIR as at 31 December 2024 was 3.83% (31 December 2023: 6.09%).

The NZ Banking Group has not had any defaults of principal, interest or other breaches with regard to all short and long term debt liabilities during the year ended 31 December 2024 (31 December 2023: nil).

## 17. Other liabilities

<u>As at 31 December</u>	2024	2023
<b>Other liabilities</b>		
Trade creditors and other accrued expenses	1,155	721
Lease liabilities <sup>1</sup>	2,875	3,835
Employee entitlements	3,613	3,895
Provision for impairment on off-balance sheet credit related business	231	3,694
<b>Total other liabilities</b>	<b>7,874</b>	<b>12,145</b>

<sup>1</sup> Includes leases for a corporate office in Auckland and a kitchen appliance.

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

	2024	2023
<b>(a) Amounts recognised in profit or loss</b>		
Interest on lease liabilities	73	94
Depreciation charge on right-of-use assets	898	898
<b>Total amounts recognised in profit or loss</b>	<b>971</b>	<b>992</b>
<b>(b) Maturity analysis of contracted undiscounted cash flows</b>		
Less than one year	1,060	1,032
One to five years	1,854	2,824
More than five years	53	143
<b>Total undiscounted lease liabilities</b>	<b>2,967</b>	<b>3,999</b>
<b>(c) Lease liabilities included in other liabilities</b>		
Current	970	965
Non-current	1,905	2,870
<b>Total lease liabilities included in other liabilities</b>	<b>2,875</b>	<b>3,835</b>
<b>(d) Amounts recognised in the statement of cash flows</b>		
<b>Total cash outflow for leases</b>	<b>1,105</b>	<b>1,091</b>

## 18. Share capital

### As at 31 December

	2024	2023
<b>Issued and fully paid capital:</b>		
158,629,981 ordinary shares	199,178	199,178
<b>Total share capital</b>	<b>199,178</b>	<b>199,178</b>

The total number of ordinary shares on issue as at 31 December 2024 for CCBNZL was 158,629,981 (31 December 2023: 158,629,981). All issued ordinary shares are fully paid. All ordinary shares carry the right to one vote on a poll at meetings of shareholders and share equally in dividends authorised in respect of the ordinary shares and any proceeds available to ordinary shareholders on a winding up of the NZ Banking Group. The ordinary shares do not have a par value.

During the year ended 31 December 2024 the NZ Banking Group paid dividends of nil to CCBC (equivalent to nil per share) (31 December 2023: nil per share).

### **Branch Capital**

There was no contribution from the head office as at 31 December 2024 (31 December 2023: nil).

## 19. Fair value of financial instruments

### Classification of financial instruments and estimates of fair value

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

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

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

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

##### “Level 1” – Quoted market price

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

##### “Level 2” – Valuation technique using observable inputs

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

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

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

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

#### (b) Estimation of fair value

The fair value estimates of the NZ Banking Group's financial instruments were determined by application of the methods and assumptions described below:

##### (i) Cash and balances with central banks, Due from other financial institutions, Due from related parties, Other financial assets and Lease liabilities

Where these financial instruments are short-term in nature, defined as those that re-price or mature in three months or less, or are receivable or payable on demand, the carrying amounts are considered to approximate the fair values. When longer term in nature, fair value is calculated using discounted cash flow models based on the interest rate repricing and maturity. Discount rates applied in this calculation are based on current market interest rates for similar instruments with similar credit and maturity profiles.

##### (ii) Investment securities

Estimates of fair value for investment securities are based on observable market prices or dealer price quotations for financial instruments traded in financial markets, or by using valuation techniques. Where a market price in a liquid market is not readily available, the fair value is determined by reference to the market price available for a security with similar credit, maturity and yield characteristics or by using industry standard pricing models incorporating observable market inputs.

##### (iii) Derivative financial instruments

Fair value is obtained from observable market prices, discounted cash flow models and option pricing models as appropriate, which incorporate current market and contractual prices for the underlying instrument, time to expiry yield curves and volatility of the underlying instrument.

##### (iv) Loans and advances

For floating rate loans and advances, the carrying amounts are considered to approximate the fair values. For fixed rate loans and advances, fair value is estimated using discounted cash flow models based on the interest rate repricing and maturity of the loans and advances. Discount rates applied in this calculation are based on current market interest rates for loans and advances with similar credit and maturity profiles.

**(v) Deposits from customers**

With respect to deposits from customers, the fair value of non-interest bearing, call and variable rate deposits and fixed rate deposits repricing within three months is considered to approximate the carrying amount. For other fixed rate term deposits, the fair value is estimated using discounted cash flow models based on the maturity of the instruments. The discount rates applied in this calculation are based on current market interest rates for similar instruments with similar maturity profiles. The fair value includes a calculation of the NZ Banking Group's own credit risk based on observable market data.

**(vi) Debt securities issued (including subordinated debt)**

For debt securities issued held at amortised cost with maturities of three months or less, the carrying amount is considered to approximate the fair value. For all other debt securities issued, fair values have been calculated based on quoted market prices. For those debt securities issued where quoted market prices are not available, fair value is estimated using discounted cash flow models based on the interest rate repricing and maturity of the instruments. The discount rates applied in this calculation are based on current market interest rates for similar instruments with similar maturity profiles. The fair value includes a calculation of the NZ Banking Group's own credit risk based on observable market data.

**(vii) Due to related parties**

For borrowings from related parties issued held at amortised cost with maturities of three months or less, the carrying amount is considered to approximate the fair value. For all other borrowings from related parties, fair value is estimated using discounted cash flow models based on the interest rate repricing and maturity of the instruments. The discount rates applied in this calculation are based on current market interest rates for similar instruments with similar maturity profiles. The fair value includes a calculation of the NZ Banking Group's own credit risk based on observable market data.

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

<b>As at 31 December</b>	<b>Valuation</b>	<b>2024</b>	<b>2023</b>
<b>Financial assets</b>			
Investment securities	Level 2	219,895	338,889
Derivative financial assets	Level 2	249,024	21,915
<b>Total financial assets measured at fair value</b>		<b>468,919</b>	<b>360,804</b>
<b>Financial liabilities</b>			
Derivative financial liabilities	Level 2	7,735	62,976
<b>Total financial liabilities measured at fair value</b>		<b>7,735</b>	<b>62,976</b>

**(b) Fair value of financial instruments**

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

<b>As at 31 December 2024</b>	<b>At amortised cost</b>	<b>At FVOCI</b>	<b>At FVTPL</b>	<b>Fair value - derivative instruments</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>						
Cash and balances with central banks	447,315	-	-	-	447,315	447,315
Due from other financial institutions	129,354	-	-	-	129,354	129,354
Investment securities	-	219,895	-	-	219,895	219,895
Loans and advances	4,003,455	-	-	-	4,003,455	4,355,557
Due from related parties	485	-	-	-	485	485
Derivative financial assets	-	-	-	249,024	249,024	249,024
Other assets	139	-	-	-	139	139
<b>Total financial assets</b>	<b>4,580,748</b>	<b>219,895</b>	<b>-</b>	<b>249,024</b>	<b>5,049,667</b>	<b>5,401,769</b>
<b>Financial liabilities</b>						
Due to other financial institutions	1,722,532	-	-	-	1,722,532	1,735,808
Deposits from customers	556,654	-	-	-	556,654	561,561
Debt securities issued	713,266	-	-	-	713,266	749,253
Due to related parties	1,616,223	-	-	-	1,616,223	1,643,992
Derivative financial liabilities	-	-	-	7,735	7,735	7,735
Lease liabilities	2,875	-	-	-	2,875	2,875
<b>Total financial liabilities</b>	<b>4,611,550</b>	<b>-</b>	<b>-</b>	<b>7,735</b>	<b>4,619,285</b>	<b>4,701,224</b>

	At amortised cost \$000	At FVOCI \$000	At FVTPL \$000	Fair value - derivative instruments \$000	Total carrying amount \$000	Fair value \$000
<b>As at 31 December 2023</b>						
<b>Financial assets</b>						
Cash and balances with central banks	372,436	-	-	-	372,436	372,436
Due from other financial institutions	128,439	-	-	-	128,439	128,439
Investment securities	-	338,889	-	-	338,889	338,889
Loans and advances	3,661,028	-	-	-	3,661,028	4,060,223
Due from related parties	967	-	-	-	967	967
Derivative financial assets	-	-	-	21,915	21,915	21,915
Other assets	100	-	-	-	100	100
<b>Total financial assets</b>	<b>4,162,970</b>	<b>338,889</b>	<b>-</b>	<b>21,915</b>	<b>4,523,774</b>	<b>4,922,969</b>
<b>Financial liabilities</b>						
Due to other financial institutions	1,249,195	-	-	-	1,249,195	1,244,843
Deposits from customers	509,320	-	-	-	509,320	513,164
Debt securities issued	872,408	-	-	-	872,408	917,937
Due to related parties	1,449,368	-	-	-	1,449,368	1,464,415
Subordinated debt	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	62,976	62,976	62,976
Lease liabilities	3,835	-	-	-	3,835	3,835
<b>Total financial liabilities</b>	<b>4,084,126</b>	<b>-</b>	<b>-</b>	<b>62,976</b>	<b>4,147,102</b>	<b>4,207,170</b>

## 20. Related party transactions and balances

During the year ended 31 December 2024, the NZ Banking Group has entered into or had in place various financial transactions with members of the Overseas Banking Group, represented by the Ultimate Parent Bank.

### (a) Nature of transactions and balances with related parties

The NZ Banking Group undertakes transactions with the Overseas Banking Group. These transactions principally consist of funding (interest bearing) and hedging transactions (interest bearing) with related parties outside of the NZ Banking Group, and are conducted on an arm's length basis and on normal commercial terms. The settlement of the balances will be in cash consideration.

### (b) Ultimate Parent Bank

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

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

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

<u>Recognised in</u>	2024	2023
<b>(a) Transactions with related parties</b>		
Interest income <sup>1</sup>	307	633
Interest expense <sup>2</sup>	(72,595)	(66,487)
<b>Non-interest income / (expense)</b>		
Unrealised gain / (loss) on derivatives	(1,175)	(11,530)
<b>Total profit or loss impact</b>	<b>(73,463)</b>	<b>(77,384)</b>
<b>(b) Balances with related parties</b>		
<b>Due from related parties</b>		
Cash and liquid assets	484	949
Other assets	1	18
<b>Total due from related parties</b>	<b>485</b>	<b>967</b>
Derivative financial assets	112,553	8,886
<b>Total related party assets</b>	<b>113,038</b>	<b>9,853</b>
<b>Due to related parties</b>		
Borrowings at amortised cost	1,616,223	1,449,368
<b>Total due to related parties</b>	<b>1,616,223</b>	<b>1,449,368</b>
Derivative financial liabilities	3,095	38,342
<b>Total related party liabilities</b>	<b>1,619,318</b>	<b>1,487,710</b>

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

<sup>2</sup> Included in related party interest expense are interest paid on borrowings with related parties and derivative financial liabilities. Comparatives for the period ending 31 December 2023 also include interest paid on subordinated debt. The subordinated debt was fully repaid in April 2023.

### (c) Other transactions and balances

During the year ended 31 December 2024, the NZ Banking Group acquired short-term receivables, with repayment secured by a guarantee to the value of \$59m (31 December 2023: nil) from Ultimate Parent Bank in the event of issuer default.

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

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

## 21. 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 are defined as the Directors and members of the senior executive team of CCBNZL and the New Zealand Chief Executive Officer of the branch. 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.

The table below shows the amount of compensation paid to key management personnel of the NZ Banking Group.

	2024	2023
<b>Key management personnel compensation</b>		
Salaries and other short-term employee benefits	2,332	2,413
Post-employment benefits (pension scheme contribution)	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
<b>Total key management personnel compensation</b>	<b>2,332</b>	<b>2,413</b>

The total maximum remuneration payable to the Directors is approved by the Shareholder at the Annual General Meeting. No Director received any other benefit that was additional to his or her total remuneration.

### (a) Loans and deposits with key management personnel

There were no loans or deposits with key management personnel in the year ended 31 December 2024 (31 December 2023: nil). Consequently, no provisions have been recognised in respect of loans given to key management personnel and their related parties (31 December 2023: nil) and there were no debts written off or forgiven during the year (31 December 2023: nil).

### (b) Other key management personnel transactions

There were no other transactions with key management personnel during the year ended 31 December 2024 (31 December 2023: nil).

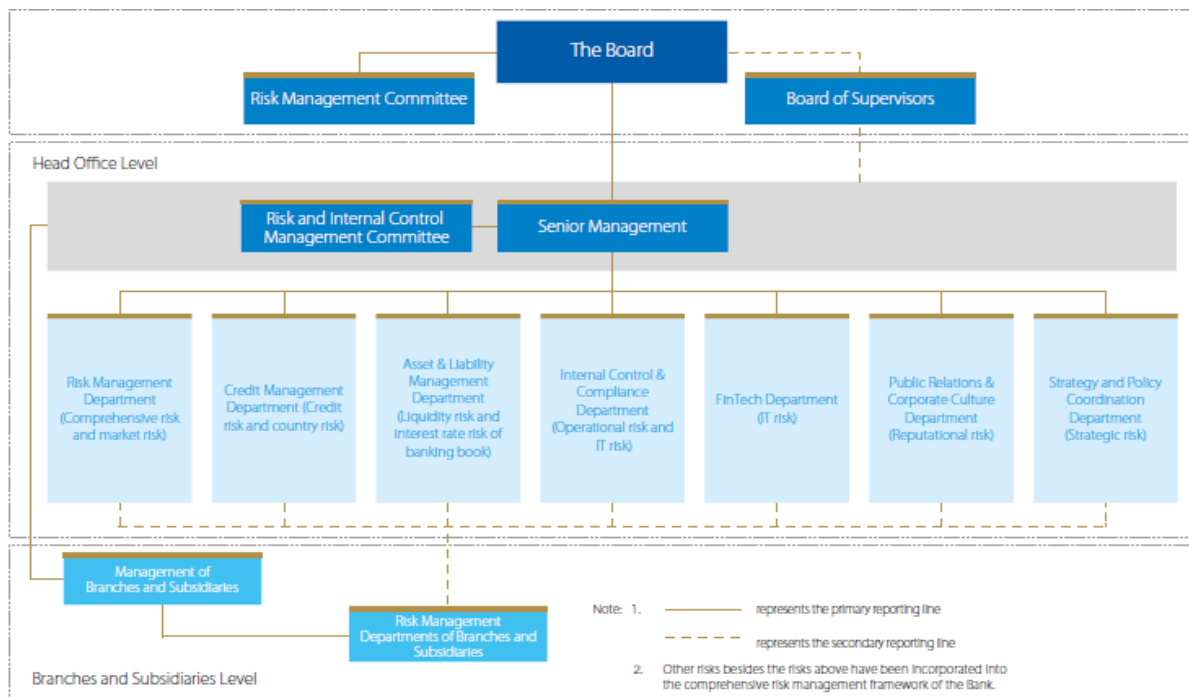


## Risk Management

### 22. Risk governance

#### (a) Introduction

The risk management organisational structure of the Overseas Bank comprises the Board and its special committees, the senior management and its special committees, and the risk management departments, etc. The basic structure is as follows:



The Board fulfils the risk management responsibilities pursuant to the Articles of Association of the Overseas Bank and related regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation thereof, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through relevant policies. The Board of Supervisors supervises the building of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering their comprehensive risk management responsibilities. Senior management is responsible for implementing the risk strategies developed by the Board and organising the implementation of the comprehensive risk management work across the Group.

The risk management department is the leading management department responsible for the Overseas Bank's comprehensive risk and market risk management. The credit management department is the leading management department responsible for the overall credit risk management and country risk management. The asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of the Overseas Banking book. The internal control & compliance department is the leading management department responsible for operational risk and shares responsibilities of the second-line defence against IT risks with FinTech department. The public relations & corporate culture department is in charge of reputational risk management. The strategy and policy coordination department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for managing other respective risks.

The Overseas Bank places high priority on the risk management of subsidiaries, and conducts overall risk assessment of subsidiaries on a regular basis. The subsidiaries comply with the risk management requirements of the Ultimate Parent Bank through their corporate governance mechanisms, establishing and improving the comprehensive risk management system.

The NZ Banking Group recognises the importance of effective risk management to its business success. Effective risk management is about achieving a balanced approach to risk and reward and enables the NZ Banking Group to both increase financial growth opportunities and mitigate potential loss or damage. The NZ Banking Group only takes on controlled amounts of risk when considered appropriate.

The CCB NZ Banking Group Risk Management Framework articulates the risk management and governance practices across CCBNZL and the branch. The Risk Management Framework is aligned to Group risk management practices, and only adapted locally where there is a divergence in local requirements.

## (b) Board Audit, Risk and Compliance Committee

CCBNZL's risk and control functions are the responsibility of the Chief Risk Officer, who reports to the Chief Executive Officer. CCBNZL's risk management strategy is set by the Board of Directors through the BARC. All non-executive Directors are members of the BARC (refer to the Directory in the CCBNZL disclosure statement for details). Formal executive committees are in place governing all primary risk types. The Chief Risk Officer is responsible for the implementation of risk management strategy and all executives have responsibility for the day-to-day management of risk across the NZ Banking Group.

The NZ Banking Group has management structures and information systems to manage individual risks. Risk initiation and monitoring tasks are separated where feasible, and all material information systems are subjected to regular internal audits.

## (c) Internal audit

The Overseas Banking Group's Internal Audit Department is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation and improving business operation. The Internal Audit Department works in a relatively independent manner and is managed vertically. It is responsible to and reports to the Board and its Audit Committee, and also reports to the Board of Supervisors and senior management. In addition to the Audit Department at the head office, the Overseas Banking Group also has 29 audit offices at tier-one branches and an overseas audit centre in Hong Kong.

CCBNZL maintains an independent internal audit function which is accountable to the Overseas Banking Group's Internal Audit Department and the CCBNZL Board of Directors through the CCBNZL BARC. The BARC of CCBNZL meets on a regular basis to consider CCBNZL financial reporting, internal control and corporate governance matters. In doing so, the BARC reviews internal audit findings and opinions, and the activities of the internal audit function.

The following notes contain information about the risk management framework:

## (d) Review of risk management systems

The risk management system and architecture of the NZ Banking Group are reviewed annually by senior management and the relevant committees.

## (e) Areas of risk management

The primary categories of risk managed by the NZ Banking Group include credit, market, liquidity and funding, operational, strategic and business, reputational, capital, country, compliance, and risk culture and conduct.

### (i) Credit risk

Credit risk is the risk of financial loss arising from the failure of a customer or counterparty to meet its contractual obligations to the NZ Banking Group. It can arise from the NZ Banking Group's lending activities and from inter-bank, treasury and international trade activities. The NZ Banking Group has an overall lending objective of sound growth for appropriate returns.

### (ii) Market risk

Market risk is the risk of loss, in respect of the NZ Banking Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates and equity prices.

### (iii) Liquidity and funding risk

Liquidity risk is the risk that the NZ Banking Group will be unable to fund assets and meet its obligations as they fall due, leading to an inability to support normal business activity and meet liquidity regulatory requirements. Funding risk is the risk that the funding mix of the NZ Banking Group is such that the NZ Banking Group will have to pay higher than market rates for its funding or have difficulty raising funds. Liquidity and funding risk is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates.

### (iv) Operational risk

Operational risk refers to the risk of loss resulting from problems with internal processes, people and systems or from external events. Such risk includes legal risk, but excludes strategic risk and reputational risk.

The NZ Banking Group's operational risk management framework sets out the business requirements for managing operational risks across the NZ Banking Group with respect to governance, risk and control assessments, incident and loss management, and reporting and monitoring.

Effective operational risk management within the NZ Banking Group is based on a three lines of defence model. The NZ Banking Group's business line management are the first line of defence and are accountable for the management of their operational risks (including identification, measurement, monitoring and mitigation) on a day-to-day basis. Oversight and support is provided by the NZ Banking Group's Risk Management Department (who report to the NZ Banking Group's CRO) and the NZ Banking Group's Finance Department (who report to the NZ Banking Group's CFO). The NZ Banking Group's Risk Management Department is responsible for establishing the NZ Banking Group's Operational Risk Management Framework. Assurance is provided by the internal audit function.

**(v) Strategic and business risk**

Strategic and business risk is the risk of loss resulting from changes in the business environment caused by factors such as economic conditions, competitive forces, social trends, technology or regulatory changes. Strategic and business risk is primarily managed by:

- Establishment and maintenance of structures, measurement basis and risk management processes, including strategic planning and financial management, for the evaluation and management of strategic and business risks.
- Building capability within the NZ Banking Group to enable both the pursuit of opportunities and mitigation of vulnerability.

**(vi) Reputational risk**

Reputational risk is the risk of loss arising from an adverse perception of the NZ Banking Group on the part of existing or potential stakeholders including customers, counterparties, employees, suppliers, and regulators. Reputational risk is primarily managed by:

- Awareness and application of policies and procedures regarding reputational risk and other material risks.
- Business line management and support functions (including the Risk Management Department) taking account of the NZ Banking Group's reputation in all decision-making, including dealings with customers and suppliers.
- Reporting systems to ensure awareness of all potential reputational issues.
- Effective and proactive stakeholder management through on-going engagement.

**(vii) Capital risk**

The NZ Banking Group's objectives when managing capital are (i) to safeguard the NZ Banking Group's ability to continue as a going concern and (ii) to maintain a sufficient capital base to achieve a capital adequacy ratio applicable to CCBNZL's conditions of registration and (iii) to comply with the capital requirements set by the RBNZ. Compliance with capital adequacy ratios set by the RBNZ is actively monitored and reported on a regular basis to senior management, ALCO and the Board of CCBNZL.

**(viii) Country risk**

Country risk refers to the uncertainty associated with operating and doing business with and in a particular country, and more specifically the degree to which that uncertainty could lead to losses for the NZ Banking Group.

**(ix) Compliance risk**

Compliance risk is the risk of damage to the NZ Banking Group by failing to comply with financial services regulations, rules, guidelines, industry codes of conduct, organisational standards, professional ethics, Board and senior management standards or guidelines applicable to its business activities.

**(x) Risk culture and conduct risk**

Risk culture refers to the risk that poor structural (systems, policies and processes) or behavioural (role modelling and team dynamics) mechanisms within the NZ Banking Group could lead to behavioural norms that result in adverse risk outcomes. Conduct risk is the risk of damage to the NZ Banking Group's corporate value as a result of negative impact on public benefit, effective competition, market integrity or customer protection due to the inappropriate execution of our business activities through failure to comply with laws & regulations, breach of a social norm, improper business or market practice or lack of consideration of customer's viewpoints.

**23. Credit risk management and asset quality****(a) Credit risk management**

Credit risk principally arises within the NZ Banking Group from its core business in providing lending facilities. Credit risk also arises from the NZ Banking Group assuming contingent liabilities, participating in financial market transactions and assuming underwriting commitments. The NZ Banking Group is selective in targeting credit risk exposures and avoids exposures to high risk areas.

The BARC of CCBNZL and the Risk Management Committee of the Overseas Banking Group operate under a charter by which they oversee the credit risk framework, credit management policies and practices. The committees ensure that the credit policies and portfolio standards designed to achieve portfolio outcomes consistent with the risk/return expectations of CCBNZL and the branch respectively, are in place and maintained.

A system of industry limits and a large credit exposure policy assist in the diversification of the credit portfolio. These policies are an important part of portfolio management objectives to create a diversified portfolio avoiding significantly large concentrations of economically related credit risk exposures.

The NZ Banking Group has comprehensive, clearly defined credit policies for the approval and management of all credit risk including risk from other banks and related counterparties. Lending standards and criteria are clearly defined across different business sectors for all NZ Banking Group products and incorporate income/repayment capacity, acceptable terms and security and loan documentation tests.

While the NZ Banking Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care by relevant staff within their delegated authority.

### (b) Credit approval

The NZ Banking Group has clearly defined credit underwriting policies and standards for all lending, which incorporate income and repayment capacity, acceptable terms, security and loan documentation criteria. In the first instance, the NZ Banking Group relies on the assessed integrity of the customer or counterparty and their ability to meet their contractual obligations for repayment. For wholesale credit facilities, a credit risk grade is assigned to the customer using the NZ Banking Group's credit risk grading system, which has been developed by the Ultimate Parent Bank.

Credit facilities are approved through a hierarchy of delegated approval authorities that reflect the skill and experience of lending management.

### (c) Credit risk mitigation

The NZ Banking Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk. The policies and procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured where appropriate. The credit risk policy sets out the type of acceptable collateral, including cash, mortgages over property, charges over business assets (e.g. premises, inventory and accounts receivable), charges over financial instruments (e.g. debt securities and equities) and financial guarantees.

The NZ Banking Group also uses ISDA Master Agreements to document derivative activities to limit exposure to credit losses. The credit risk is reduced by a master agreement to the extent that, if an event of default or predetermined event occurs, all contracts with the counterparty are terminated and settled on a net basis.

### (d) Credit risk monitoring

Monitoring of compliance with loan covenants is performed on a monthly basis by the Bank's Risk Management Department. In addition, all loans and advances are required to be reviewed on an annual basis with any recommendations for action to be approved by the appropriate delegated authority. The Bank's Risk Management Department may also initiate an earlier review if market conditions change in a way that may significantly affect the risk profile of the customer or counterparty.

### (e) Portfolio analysis and reporting

Credit portfolios are actively monitored at each layer of the risk structure to ensure credit deterioration is quickly detected and mitigated through the implementation of remediation strategies.

The NZ Banking Group Risk Management Department undertakes regular and comprehensive analysis of the credit portfolio. Using the NZ Banking Group's Risk Management Department for analysis and reporting ensures an efficient and independent conduit to identify and communicate emerging credit issues to the NZ Banking Group executive team and the CCBNZL Board.

### (f) Problem credit facility management

Credit exposures are monitored regularly through the examination of irregular and delinquent accounts. This enables doubtful debts to be timely identified so that specific provisions for potential losses can be established as early as possible. Problem credit facilities are monitored to ensure workout and collection and recovery strategies are established and enacted promptly to minimise risk of potential losses.

### (g) Concentration of credit risk

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The NZ Banking Group monitors its portfolio to identify and assess risk concentrations. Concentration limits are used to guard against large single customer or correlated credit risks in relation to industry and country. These policies and limits are an important part of portfolio management objectives to create a diversified portfolio avoiding significantly large concentrations of economically related credit risk exposures.

Refer to Note 25 for the disclosure of concentration of credit exposures by industry and geographical area.

### (h) Maximum credit exposure and effect of collateral and other credit enhancements

The following table presents the maximum exposure to credit risk for on and off-balance sheet financial instruments before taking account of the financial effect of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in NZ IAS 32 *Financial Instruments: Presentation*.

The table also provides a quantification of the value of the financial charges the NZ Banking Group holds over a borrower's specific asset (or assets) where the NZ Banking Group is able to enforce the collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations. For the purposes of this disclosure, where the collateral held is valued at more than the corresponding credit exposure, the financial effect is capped at the value of the credit exposure. In respect of derivative financial instruments, the assessed collateral is the amount of cash collateral received and does not include the effect of any netting arrangements under ISDAs. There are currently no netting arrangements under the ISDAs.

The NZ Banking Group also manages its credit risk by accepting other types of collateral and credit enhancement such as guarantees and security interests over the assets of a customer's business. The assignable value of such credit mitigants is less certain and their financial effect has not been quantified for disclosure purposes. Credit exposures shown as not fully secured may benefit from such credit mitigants.

There were no material changes to the risk management policies in the financial year ended 31 December 2024.

As at 31 December	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
	2024	2023	2024	2023	2024	2023
<b>On-balance sheet financial instruments</b>						
Cash and balances with central banks	447,315	372,436	447,315	372,436	-	-
Due from other financial institutions	129,354	128,439	-	-	129,354	128,439
Investment securities	219,895	338,889	-	-	219,895	338,889
Loans and advances	4,003,455	3,661,028	1,906,299	1,906,299	2,097,156	1,754,729
Due from related parties	485	967	-	-	485	967
Derivative financial assets	249,024	21,915	-	-	249,024	21,915
<b>Total on-balance sheet financial instruments</b>	<b>5,049,528</b>	<b>4,523,674</b>	<b>2,353,614</b>	<b>2,278,735</b>	<b>2,695,914</b>	<b>2,244,939</b>
<b>Off-balance sheet financial instruments</b>						
Credit related commitments and contingent liabilities	1,084,847	1,233,618	117,739	199,202	967,108	1,034,416
<b>Total off-balance sheet financial instruments</b>	<b>1,084,847</b>	<b>1,233,618</b>	<b>117,739</b>	<b>199,202</b>	<b>967,108</b>	<b>1,034,416</b>
<b>Total exposure to credit risk</b>	<b>6,134,375</b>	<b>5,757,292</b>	<b>2,471,353</b>	<b>2,477,937</b>	<b>3,663,022</b>	<b>3,279,355</b>

#### (i) Nature of collateral and other credit enhancements

The nature of collateral or other credit enhancements taken to mitigate each financial asset class to which collateral is held as security or other credit enhancements exist is described below:

Cash and balances with central banks	This category includes deposits with the RBNZ.
Due from other financial institutions	This balance sheet category includes reverse repurchase agreements which are fully collateralised by highly liquid debt securities which have been legally transferred to the NZ Banking Group subject to an agreement to resell for a fixed price. There are no repurchase agreements as at 31 December 2024 (31 December 2023: nil).
Derivative financial assets	Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. All netting arrangements are legally documented. The ISDA Master Agreements contractually bind both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.
Loans and advances	The most common types of collateral mitigating credit risk over loans and advances include security over real estate (including residential, commercial, industrial and rural property); cash (usually in the form of a charge over a deposit); guarantees; and other security over business assets including specific plant and equipment, inventory and accounts receivable.

#### (j) Market disruption

The moderate economic outlook continues to present a level of potential volatility to the financial services sector. To date, the impact on the NZ Banking Group's existing customer base remains minimal. The NZ Banking Group intends to continue to closely monitor the operating environment and actively manage the impact on its operating strategy, financial position, portfolio quality and performance.

**(k) Impacts of climate change on credit risk**

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

The NZ Banking Group's approach to managing climate risk is outlined in the NZ Banking Group's Risk Appetite Statement. This commits the NZ Banking Group to addressing climate change by:

- Reducing its operational footprint;
- Better understanding the risk and impacts of climate risk on the NZ Banking Group;
- Seeking to increase the resilience of the NZ Banking Group's business to climate risk;
- Pursuing the opportunities created through the NZ Banking Group's adaptation to climate risk.

The NZ Banking Group's Climate Report will be published before 30 April 2025 and be available for download, free of charge, on the NZ Banking Group's website (<https://nz.ccb.com/newzealand/en/zxgg/201503111426044066.html>).

## 24. Asset quality

### A. Credit quality information

	Residential mortgages	Corporate exposures	Other exposures	Total loans and advances
<b>As at 31 December 2024</b>				
<b>(a) Asset quality - advances to customers</b>				
Neither past due nor impaired	867,706	3,093,764	59,495	4,020,965
Past due but not impaired	5,363	-	-	5,363
Individually impaired assets	-	-	-	-
Provision for credit impairment	(6,388)	(6,463)	(7)	(12,858)
Unearned income	-	-	-	(12,187)
Loan origination fees	-	-	-	2,398
Fair value hedge adjustments	-	-	-	(226)
<b>Net carrying amount</b>	<b>866,681</b>	<b>3,087,301</b>	<b>59,488</b>	<b>4,003,455</b>
<b>(b) Ageing of past due but not impaired</b>				
Less than 30 days	2,592	-	-	2,592
30 to 59 days	2,771	-	-	2,771
60 to 89 days	-	-	-	-
90 days and over	-	-	-	-
<b>Net carrying amount</b>	<b>5,363</b>	<b>-</b>	<b>-</b>	<b>5,363</b>
<b>(c) Individually impaired assets</b>				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 31 December 2023</b>				
<b>(a) Asset quality - advances to customers</b>				
Neither past due nor impaired	792,174	2,889,377	-	3,681,551
Past due but not impaired	-	-	-	-
Individually impaired assets	-	-	-	-
Provision for credit impairment	(4,618)	(5,904)	-	(10,522)
Unearned income	-	-	-	(10,236)
Loan origination fees	-	-	-	1,554
Fair value hedge adjustments	-	-	-	(1,319)
<b>Net carrying amount</b>	<b>787,556</b>	<b>2,883,473</b>	<b>-</b>	<b>3,661,028</b>
<b>(b) Ageing of past due but not impaired</b>				
Less than 30 days	-	-	-	-
30 to 59 days	-	-	-	-
60 to 89 days	-	-	-	-
90 days and over	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(c) Individually impaired assets</b>				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Asset quality for financial assets designated as FVTPL

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

**B. Movement in loans and advances**

	Stage 1	Stage 2	Stage 3		Total
	<u>12-months ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Individually assessed Lifetime ECL</u>	
<b>As at 31 December 2024</b>					
<b>(a) Residential mortgages</b>					
Gross balance as at 1 January 2024	792,174	-	-	-	792,174
Additions	273,763	13,131	-	-	286,894
Deletions	(198,231)	(7,768)	-	-	(205,999)
<b>Gross balance as at 31 December 2024</b>	<b>867,706</b>	<b>5,363</b>	-	-	<b>873,069</b>
<b>(b) Corporate exposures</b>					
Gross balance as at 1 January 2024	2,856,576	32,801	-	-	2,889,377
Additions	1,900,108	54,950	-	-	1,955,058
Deletions	(1,699,911)	(50,760)	-	-	(1,750,671)
<b>Gross balance as at 31 December 2024</b>	<b>3,056,773</b>	<b>36,991</b>	-	-	<b>3,093,764</b>
<b>(c) Other exposures</b>					
Gross balance as at 1 January 2024	-	-	-	-	-
Additions	124,056	-	-	-	124,056
Deletions	(64,561)	-	-	-	(64,561)
<b>Gross balance as at 31 December 2024</b>	<b>59,495</b>	-	-	-	<b>59,495</b>
<b>(d) Total loans and advances</b>					
Gross balance as at 1 January 2024	3,648,750	32,801	-	-	3,681,551
Additions	2,297,927	68,081	-	-	2,366,008
Deletions	(1,962,703)	(58,528)	-	-	(2,021,231)
<b>Gross balance as at 31 December 2024</b>	<b>3,983,974</b>	<b>42,354</b>	-	-	<b>4,026,328</b>
<b>As at 31 December 2023</b>					
<b>(a) Residential mortgages</b>					
Gross balance as at 1 January 2023	738,651	-	-	-	738,651
Additions	222,372	1,953	1,027	-	225,352
Deletions	(168,849)	(1,953)	(1,027)	-	(171,829)
<b>Gross balance as at 31 December 2023</b>	<b>792,174</b>	-	-	-	<b>792,174</b>
<b>(b) Corporate exposures</b>					
Gross balance as at 1 January 2023	2,533,005	2,964	-	-	2,535,969
Additions	2,021,690	53,820	-	-	2,075,510
Deletions	(1,698,119)	(23,983)	-	-	(1,722,102)
<b>Gross balance as at 31 December 2023</b>	<b>2,856,576</b>	<b>32,801</b>	-	-	<b>2,889,377</b>
<b>(c) Total loans and advances</b>					
Gross balance as at 1 January 2023	3,271,656	2,964	-	-	3,274,620
Additions	2,244,062	55,773	1,027	-	2,300,862
Deletions	(1,866,968)	(25,936)	(1,027)	-	(1,893,931)
<b>Gross balance as at 31 December 2023</b>	<b>3,648,750</b>	<b>32,801</b>	-	-	<b>3,681,551</b>

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



## C. Movement in provision for impairment losses

	Stage 1	Stage 2	Stage 3		Total provision
	Collective provision	Collective provision	Collective provision	Individually assessed	
	<u>12-months ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Lifetime ECL credit impaired</u>	
<b>As at 31 December 2024</b>					
Due from other financial institutions <sup>1</sup>	44	-	-	-	44
Investment securities <sup>2</sup>	90	-	-	-	90
Loans and advances	11,782	1,076	-	-	12,858
Off-balance sheet credit related commitments	231	-	-	-	231
<b>Total provision for impairment losses as at 31 December 2024</b>	<b>12,147</b>	<b>1,076</b>	-	-	<b>13,223</b>
<b>(a) Residential mortgages</b>					
Balance as at 1 January 2024	4,618	-	-	-	4,618
Transferred to Stage 1	533	(533)	-	-	-
Transferred to Stage 2	(1,373)	1,373	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	3,759	(31)	-	-	3,728
Reversals of previously recognised impairment losses	(1,958)	-	-	-	(1,958)
<b>Balance as at 31 December 2024</b>	<b>5,579</b>	<b>809</b>	-	-	<b>6,388</b>
<b>(b) Corporate exposures</b>					
Balance as at 1 January 2024	5,812	92	-	-	5,904
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	(664)	664	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	6,384	579	-	-	6,963
Reversals of previously recognised impairment losses	(5,336)	(1,068)	-	-	(6,404)
<b>Balance as at 31 December 2024</b>	<b>6,196</b>	<b>267</b>	-	-	<b>6,463</b>
<b>(c) Other exposures</b>					
Balance as at 1 January 2024	-	-	-	-	-
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	36	-	-	-	36
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(29)	-	-	-	(29)
Recovery	-	-	-	-	-
<b>Balance as at 31 December 2024</b>	<b>7</b>	-	-	-	<b>7</b>
<b>(d) Total loans and advances</b>					
Balance as at 1 January 2024	10,430	92	-	-	10,522
Transferred to Stage 1	533	(533)	-	-	-
Transferred to Stage 2	(2,037)	2,037	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	10,179	548	-	-	10,727
Reversals of previously recognised impairment losses	(7,323)	(1,068)	-	-	(8,391)
<b>Total provision for impairment losses on loans &amp; advances as at 31 December 2024</b>	<b>11,782</b>	<b>1,076</b>	-	-	<b>12,858</b>

<sup>1</sup> There was no transfer of collective provision for due from other financial institutions between the stages. The total provision of \$44,000 (refer Note 9) was represented in 'collective provision 12-months ECL' during the period.

<sup>2</sup> There was no transfer of collective provision for investment securities between the stages. The total provision of \$90,000 was represented in 'collective provision 12-months ECL' during the period.

## C. Movement in provision for impairment losses (continued)

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

<sup>1</sup> There was no transfer of collective provision for due from other financial institutions between the stages. The total provision of \$17,000 (refer Note 9) was represented in 'collective provision 12-months ECL' during the period.

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

	Stage 1 Collective provision	Stage 2 Collective provision	Stage 3 Collective provision	Stage 3 Individually assessed	Total provision
	<u>12-months ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Lifetime ECL credit impaired</u>	
<b>As at 31 December 2024</b>					
<b>Off-balance sheet credit related business <sup>1</sup></b>					
Balance as at 1 January 2024	3,694	-	-	-	3,694
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	1,220	-	-	-	1,220
Reversals of previously recognised impairment losses	(4,683)	-	-	-	(4,683)
<b>Balance as at 31 December 2024</b>	<b>231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231</b>
<b>As at 31 December 2023</b>					
<b>Off-balance sheet credit related business <sup>1</sup></b>					
Balance as at 1 January 2023	4,134	-	-	-	4,134
Transferred to Stage 1	-	-	-	-	-
Transferred to Stage 2	-	-	-	-	-
Transferred to Stage 3	-	-	-	-	-
Charged / (credited) to profit or loss	1,876	-	-	-	1,876
Reversals of previously recognised impairment losses	(2,316)	-	-	-	(2,316)
<b>Balance as at 31 December 2023</b>	<b>3,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,694</b>

<sup>1</sup> The provision for off-balance sheet credit related business is included in other liabilities (Note 17).

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

The changes in the 31 December 2024 ECL outputs are the combined result of movements in the loan portfolio balances and the routine refresh of the PD, LGD and country risk adjustments during the year ending 31 December 2024. Overall, net ECL write-back for the NZ Banking Group is \$1.2m, for the year ending 31 December 2024.

#### (a) Other asset quality information

<u>As at 31 December</u>	2024	2023
Undrawn balances on individually impaired lending commitments	-	-
Other assets under administration	17,829	-

## 25. Concentration of credit exposures

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

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

<u>As at 31 December</u>	<u>On-balance sheet credit exposures</u>		<u>Off-balance sheet credit related commitments</u>	
	2024	2023	2024	2023
<b>Industry sector</b>				
Accommodation and food services	14,837	14,849	-	100,000
Agriculture, forestry and fishing	37,471	49,937	7,778	7,552
Construction	352,517	407,940	21,476	65,816
Education & training	89,573	84,956	5,581	9,694
Electricity, gas, water and waste services	552,592	435,845	445,032	541,277
Financial and insurance services	525,485	237,023	-	-
Healthcare and social assistance	253,153	242,183	28,400	39,515
Information media and telecommunications	62,258	149,672	7,495	20,976
Local government administration	-	-	25,000	-
Manufacturing	621,333	481,863	141,459	9,943
Mining	29,662	39,920	21,802	20,357
Personal lending	873,069	792,174	-	5,766
Public administration and safety	581,621	625,640	-	-
Rental, hiring and real estate services	855,446	832,302	97,873	134,179
Retail trade	63,678	64,464	57	127
Transport, postal and warehousing	119,636	85,446	283,125	282,110
Wholesale trade	40,114	-	-	-
<b>Subtotal</b>	<b>5,072,445</b>	<b>4,544,214</b>	<b>1,085,078</b>	<b>1,237,312</b>
Unearned income	(12,187)	(10,236)	-	-
Loan origination fees	2,398	1,554	-	-
Fair value hedge adjustments	(226)	(1,319)	-	-
Provision for impairment losses <sup>1</sup>	(12,902)	(10,539)	(231)	(3,694)
<b>Total credit exposures</b>	<b>5,049,528</b>	<b>4,523,674</b>	<b>1,084,847</b>	<b>1,233,618</b>
<b>Geographic area <sup>2</sup></b>				
New Zealand	4,390,357	3,945,601	1,084,847	1,088,622
Other countries	659,171	578,073	-	144,996
<b>Total credit exposures</b>	<b>5,049,528</b>	<b>4,523,674</b>	<b>1,084,847</b>	<b>1,233,618</b>

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

<sup>2</sup> Geographic area classification is based on customer's tax residency status.

## 26. Market risk management

The NZ Banking Group has established a market risk management framework in line with management and regulatory requirements. The NZ Banking Group's Risk Management Department is responsible for the day-to-day oversight of market risk, monitoring and reporting market risk limit utilisation based on limits set out in the respective entities' Market Risk Policies.

Day-to-day responsibility for the management of market risk is performed and reported by the NZ Banking Group's Treasury function, with independent monitoring by the NZ Banking Group's Risk Management Department with oversight provided by the Risk Management Committee and the ALCO of the NZ Banking Group.

For the purposes of market risk management, NZ Banking Group makes a distinction between traded and non-traded market risks. Traded market risk is generated through the NZ Banking Group's participation in financial markets to service its customers and any discretionary trading activities. Non-traded market risk covers all market risks which are not designated as traded market risk. With the exception of bond trading in line with the Overseas Banking Group's global strategy, the NZ Banking Group does not currently conduct any discretionary trading activity and fully hedges its customer interest rate and foreign exchange product flows, hence the market risks faced by the NZ Banking Group are mainly of a non-traded nature.

**(a) Interest rate risk**

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

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

**(b) Interest rate repricing gap analysis**

The following table presents the NZ Banking Group's assets and liabilities at their carrying amounts as at 31 December 2024, categorised by the earlier of the contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the NZ Banking Group's exposure to interest rate movements, are included under the heading "Non-interest bearing".

<b>As at 31 December 2024</b>	<b>Up to 3 months</b>	<b>Over 3 to 6 months</b>	<b>Over 6 to 12 months</b>	<b>Over 1 to 2 years</b>	<b>Over 2 years</b>	<b>Non interest bearing</b>	<b>Total</b>
<b>Financial assets</b>							
Cash and balances with central banks	447,315	-	-	-	-	-	447,315
Due from other financial institutions	129,145	-	-	-	-	209	129,354
Investment securities	112,312	5,978	-	49,773	50,433	1,399	219,895
Loans and advances <sup>1</sup>	3,247,409	313,429	305,422	82,431	60,928	(6,164)	4,003,455
Due from related parties	485	-	-	-	-	-	485
Derivative financial assets	-	-	-	-	-	249,024	249,024
<b>Total financial assets</b>	<b>3,936,666</b>	<b>319,407</b>	<b>305,422</b>	<b>132,204</b>	<b>111,361</b>	<b>244,468</b>	<b>5,049,528</b>
Non-financial assets	-	-	-	-	-	8,711	8,711
<b>Total assets</b>	<b>3,936,666</b>	<b>319,407</b>	<b>305,422</b>	<b>132,204</b>	<b>111,361</b>	<b>253,179</b>	<b>5,058,239</b>
<b>Financial liabilities</b>							
Due to other financial institutions	526,791	351,494	341,593	242,836	242,836	16,982	1,722,532
Deposits from customers	216,437	173,037	141,713	13,163	80	12,224	556,654
Debt securities issued	708,201	-	-	-	-	5,065	713,266
Due to related parties	376,337	371,936	106,600	266,501	497,468	(2,619)	1,616,223
Derivative financial liabilities	-	-	-	-	-	7,735	7,735
<b>Total financial liabilities</b>	<b>1,827,766</b>	<b>896,467</b>	<b>589,906</b>	<b>522,500</b>	<b>740,384</b>	<b>39,387</b>	<b>4,616,410</b>
Non-financial liabilities	-	-	-	-	-	13,823	13,823
<b>Total liabilities</b>	<b>1,827,766</b>	<b>896,467</b>	<b>589,906</b>	<b>522,500</b>	<b>740,384</b>	<b>53,210</b>	<b>4,630,233</b>
<b>On-balance sheet interest rate repricing gap</b>	<b>2,108,900</b>	<b>(577,060)</b>	<b>(284,484)</b>	<b>(390,296)</b>	<b>(629,023)</b>	<b>199,969</b>	<b>428,006</b>
Net derivative notional amount	(1,611,908)	230,855	416,723	417,642	546,688	-	-
<b>Net interest rate repricing gap</b>	<b>496,992</b>	<b>(346,205)</b>	<b>132,239</b>	<b>27,346</b>	<b>(82,335)</b>	<b>199,969</b>	<b>428,006</b>

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

<u>As at 31 December 2023</u>	Up to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 years	Over 2 years	Non interest bearing	Total
<b>Financial assets</b>							
Cash and balances with central banks	372,436	-	-	-	-	-	372,436
Due from other financial institutions	128,243	-	-	-	-	196	128,439
Investment securities	85,100	110,975	11,864	32,012	97,009	1,929	338,889
Loans and advances <sup>1</sup>	2,724,835	198,897	452,390	238,466	48,013	(1,573)	3,661,028
Due from related parties	967	-	-	-	-	-	967
Derivative financial assets	-	-	-	-	-	21,915	21,915
<b>Total financial assets</b>	<b>3,311,581</b>	<b>309,872</b>	<b>464,254</b>	<b>270,478</b>	<b>145,022</b>	<b>22,467</b>	<b>4,523,674</b>
Non-financial assets	-	-	-	-	-	9,176	9,176
<b>Total assets</b>	<b>3,311,581</b>	<b>309,872</b>	<b>464,254</b>	<b>270,478</b>	<b>145,022</b>	<b>31,643</b>	<b>4,532,850</b>
<b>Financial liabilities</b>							
Due to other financial institutions	469,049	78,771	454,011	-	221,902	25,462	1,249,195
Deposits from customers	300,620	114,999	63,185	20,084	3,151	7,281	509,320
Debt securities issued	745,000	40,000	85,000	-	-	2,408	872,408
Due to related parties	201,691	230,263	148,727	252,068	630,169	(13,550)	1,449,368
Derivative financial liabilities	-	-	-	-	-	62,976	62,976
<b>Total financial liabilities</b>	<b>1,716,360</b>	<b>464,033</b>	<b>750,923</b>	<b>272,152</b>	<b>855,222</b>	<b>84,577</b>	<b>4,143,267</b>
Non-financial liabilities	-	-	-	-	-	18,053	18,053
<b>Total liabilities</b>	<b>1,716,360</b>	<b>464,033</b>	<b>750,923</b>	<b>272,152</b>	<b>855,222</b>	<b>102,630</b>	<b>4,161,320</b>
<b>On-balance sheet interest rate repricing gap</b>	<b>1,595,221</b>	<b>(154,161)</b>	<b>(286,669)</b>	<b>(1,674)</b>	<b>(710,200)</b>	<b>(70,987)</b>	<b>371,530</b>
Net derivative notional amount	(1,752,413)	137,254	682,300	210,307	722,552	-	-
<b>Net interest rate repricing gap</b>	<b>(157,192)</b>	<b>(16,907)</b>	<b>395,631</b>	<b>208,633</b>	<b>12,352</b>	<b>(70,987)</b>	<b>371,530</b>

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

### (c) Interest rate sensitivity

The table below summarises the pre-tax for equity and post-tax for profit or loss sensitivity of interest bearing financial assets and financial liabilities to an incremental 100 basis points parallel fall or rise in market interest rates across all yield curves. The sensitivity analysis is based on the NZ Banking Group's financial instruments held at reporting date excluding accrued interest, which are assumed to remain constant. It is also assumed that all other variables remain constant and that the changes in market rates are effective for a twelve-month period.

<u>As at 31 December</u>	2024	2023
<b>Total funding comprises</b>		
Impact on equity of increase or decrease to market interest rates		
100 bp parallel increase	7,980	7,377
100 bp parallel decrease	(7,980)	(7,377)
Impact on profit or loss of increase or decrease to market interest rates		
100 bp parallel increase	11,083	10,246
100 bp parallel decrease	(11,083)	(10,246)

### (d) Foreign exchange risk

Foreign exchange risk is the risk to earnings and/or portfolio value due to fluctuations in foreign exchange rates. The NZ Banking Group defines foreign exchange rate risk as both traded and non-traded foreign exchange risk.

Traded foreign exchange risk is generated through the NZ Banking Group's participation in foreign exchange markets to service its customers.

Non-traded foreign exchange risk is primarily due to the mismatch of non-New Zealand dollar assets and liabilities held on the NZ Banking Group's balance sheet and cash flows generated from these.

The NZ Banking Group manages its foreign currency risk by using specified maximum aggregate exposure limits for defined currencies. It is also managed by using spot and forward foreign exchange transactions, by matching foreign currency denominated assets with corresponding liabilities in the same currency and by utilising derivatives (principally foreign exchange swaps and cross currency swaps).

**(e) Net open foreign currency position**

The net open position of major foreign currencies held at 31 December are detailed in the table below. It represents the net of the non-derivative assets and liabilities in that foreign currency aggregated with the net expected future cash flows from derivative financial instrument purchases and sales from foreign exchange transactions in that foreign currency.

<u>As at 31 December</u>	2024	2023
<b>Net open position</b>		
US Dollar (USD)	(2,419)	1,398
Euro (EUR)	10	100
Chinese Yuan Renminbi (RMB)	(8,117)	1,183
Australian Dollar (AUD)	1,586	1,119
Japanese Yen (JPY)	800	811
Hong Kong Dollar (HKD)	31	192

**(f) Foreign exchange rate sensitivity**

The table below summarises the pre-tax for equity and post-tax for profit or loss sensitivity of financial assets and financial liabilities to a 10% depreciation or appreciation in foreign exchange rates against the New Zealand dollar. The sensitivity analysis is based on the NZ Banking Group's financial instruments held in foreign currency at the reporting date. It is assumed that all other variables remain constant.

<u>As at 31 December</u>	2024	2023
<b>Net open position</b>		
Impact on equity of increase or decrease in foreign exchange rates		
10% appreciation (increase)	(323)	280
10% depreciation (decrease)	323	(280)
Impact on profit or loss of increase or decrease in foreign exchange rates		
10% appreciation (increase)	(448)	389
10% depreciation (decrease)	448	(389)

**(g) Equity and commodity price risk**

The risk stems from trading activities and is the risk to the NZ Banking Group's earnings arising from fluctuations in commodity or equity prices. The NZ Banking Group does not have any equity or commodity instruments risk exposure as at 31 December 2024 (31 December 2023: nil).

**27. Liquidity and funding risk management**

Day-to-day responsibility for the management of liquidity and funding risks is performed and reported by the NZ Banking Group's Treasury function, with independent monitoring by the NZ Banking Group's Risk Management Department with oversight provided by the NZ Banking Group's ALCO.

The NZ Banking Group's Liquidity and Funding Policies have the following key objectives:

- To ensure that cash flow commitments can be met as they fall due under both normal operating and stressed conditions.
- To ensure that the NZ Banking Group develops and protects a resilient and diversified funding base that is responsive to its needs.
- To ensure that policies and procedures in relation to liquidity and funding risk management are clearly documented and understood by those in the organisation with responsibility for managing liquidity and funding risk.

**(a) Monitoring and managing liquidity and funding risk**

The NZ Banking Group uses the following tools to monitor and manage its liquidity and funding risk including:

- Forecasting future cash requirements on a daily basis by constructing a maturity profile analysis to determine the net mismatch figure and informing the NZ Banking Group of any liquidity and funding gaps in particular time bands. The cash flow projections take account of the expected behaviour of assets and liabilities where contractual maturities are unlikely to be a useful guide, and also consider contingent demands on liquidity.
- Limits to ensure the holding of readily realisable investment assets and deposits with high credit quality counterparties do not fall below prudent levels, as well as funding / counterparty concentration limits for CCBNZL.
- Limits to ensure a diverse and stable funding base, including in relation to source of funding and maturity profile mismatch gaps.
- Monitoring of compliance with the RBNZ's one-week mismatch ratio, one-month mismatch ratio and core funding ratio requirements on a daily basis.

- Quarterly liquidity scenario analysis and stress tests to support the NZ Banking Group's understanding of its liquidity and funding risk and whether the NZ Banking Group has the ability to meet cash outflows over a range of time horizons in a range of scenarios (including stress scenarios).
- Developing, maintaining and regularly testing a liquidity EWI framework and a CFP to enable the NZ Banking Group to monitor, deal promptly and act decisively in response to a liquidity and funding crisis. EWIs are a set of carefully chosen metrics designed to aid in the process of identifying the emergence of increased risk, potential funding needs, or other vulnerabilities in the liquidity position. The CFP establishes the trigger levels of select EWIs for invoking the CFP, policies, responsibilities and plans designed to return the NZ Banking Group to a robust position within its risk tolerance as quickly as possible.
- Maintaining an internal funding arrangement with the Ultimate Parent Bank to support the Bank's liquidity management.

### (b) Liquidity portfolio management

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

As at 31 December	Note	2024	2023
<b>Cash and cash equivalents</b>			
Cash and balances with central banks	8	447,315	372,436
Due from other financial institutions (call or original maturity of 3 months or less) <sup>1</sup>	9	129,354	128,439
Due from related parties <sup>2</sup>	20	484	953
<b>Total cash and cash equivalent</b>		<b>577,153</b>	<b>501,828</b>
<b>Investment securities</b>			
Registered bank securities	10	85,589	85,685
Multilateral development banks and other international organisations	10	128,292	247,334
Government securities	10	6,014	5,870
<b>Total investment securities</b>		<b>219,895</b>	<b>338,889</b>
<b>Total liquidity portfolio</b>		<b>797,048</b>	<b>840,717</b>

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

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

### (c) Contractual maturity analysis of financial liabilities

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

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

As at 31 December 2024	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
<b>Non-derivative financial liabilities</b>							
Due to other financial institutions	69,856	471,994	725,335	512,528	-	1,779,713	1,722,532
Deposits from customers	35,188	185,793	333,184	14,551	-	568,716	556,654
Debt securities issued	-	9,632	152,371	621,723	-	783,726	713,266
Due to related parties	-	391,496	505,260	799,104	-	1,695,860	1,616,223
Lease liabilities	-	258	802	1,854	53	2,967	2,875
<b>Total non-derivative financial liabilities</b>	<b>105,044</b>	<b>1,059,173</b>	<b>1,716,952</b>	<b>1,949,760</b>	<b>53</b>	<b>4,830,982</b>	<b>4,611,550</b>
<b>Derivative financial liabilities</b>							
Held for trading	-	5	1,243	63	-	1,311	-
Gross settled – cash inflow	-	(91,658)	(127,756)	(100,561)	-	(319,975)	-
Gross settled – cash outflow	-	93,760	133,378	101,585	-	328,723	-
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>2,107</b>	<b>6,865</b>	<b>1,087</b>	<b>-</b>	<b>10,059</b>	<b>7,735</b>
<b>Lending commitments (off-balance sheet)</b>							
	<b>1,084,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,084,847</b>	<b>-</b>



<u>As at 31 December 2023</u>	On demand \$'000	0-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying amount \$'000
<b>Non-derivative financial liabilities</b>							
Due to other financial institutions	320	435,557	613,285	239,299	-	1,288,461	1,249,195
Deposits from customers	39,001	266,244	187,856	26,284	-	519,385	509,320
Debt securities issued	-	181,946	239,934	548,700	-	970,580	872,408
Due to related parties	-	210,322	413,836	937,792	-	1,561,950	1,449,368
Subordinated debt	-	-	-	-	-	-	-
Lease liabilities	-	258	774	2,824	143	3,999	3,835
<b>Total non-derivative financial liabilities</b>	<b>39,321</b>	<b>1,094,327</b>	<b>1,455,685</b>	<b>1,754,899</b>	<b>143</b>	<b>4,344,375</b>	<b>4,084,126</b>
<b>Derivative financial liabilities</b>							
Held for trading	-	-	-	1,029	-	1,029	-
Gross settled – cash inflow	-	(132,080)	(830,085)	(1,150,702)	-	(2,112,867)	-
Gross settled – cash outflow	-	153,935	873,675	1,140,752	-	2,168,362	-
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>21,855</b>	<b>43,590</b>	<b>(8,921)</b>	<b>-</b>	<b>56,524</b>	<b>62,976</b>
<b>Lending commitments (off-balance sheet)</b>	<b>1,233,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,233,618</b>	<b>-</b>

**(d) Current and non-current assets and liabilities**

Assets and liabilities are classified as current if it is expected they will be recovered, or due for settlement or expected to be settled, within twelve months of the reporting date.

Non-current assets include property, plant and equipment and intangible assets as well as financial assets of a long term nature. Non-current liabilities include financial and non-financial liabilities which are expected to be settled after twelve months from reporting date. For the purposes of this disclosure, the fair value of derivatives has been classified as current or non-current based on the contractual maturity of the derivative deals.

<u>As at 31 December</u>	2024			2023		
	Current	Non-current	Total	Current	Non-current	Total
<b>Assets</b>						
Cash and balances with central banks	447,315	-	447,315	372,436	-	372,436
Due from other financial institutions	129,354	-	129,354	128,439	-	128,439
Investment securities	63,539	156,356	219,895	123,274	215,615	338,889
Loans and advances	2,361,402	1,642,053	4,003,455	1,720,892	1,940,136	3,661,028
Due from related parties	485	-	485	967	-	967
Derivative financial assets	144,979	104,045	249,024	16,933	4,982	21,915
Property, plant and equipment	-	3,032	3,032	-	4,058	4,058
Intangible assets	-	96	96	-	30	30
Deferred tax assets	-	4,906	4,906	-	4,706	4,706
Other assets	677	-	677	382	-	382
<b>Total assets</b>	<b>3,147,751</b>	<b>1,910,488</b>	<b>5,058,239</b>	<b>2,363,323</b>	<b>2,169,527</b>	<b>4,532,850</b>
<b>Liabilities</b>						
Due to other financial institutions	1,232,467	490,065	1,722,532	1,027,037	222,158	1,249,195
Deposits from customers	543,128	13,526	556,654	485,890	23,430	509,320
Debt securities issued	119,317	593,949	713,266	372,522	499,886	872,408
Due to related parties	855,522	760,701	1,616,223	574,672	874,696	1,449,368
Current tax liabilities	5,949	-	5,949	5,908	-	5,908
Derivative financial liabilities	6,522	1,213	7,735	39,626	23,350	62,976
Other liabilities	5,969	1,905	7,874	9,275	2,870	12,145
<b>Total liabilities</b>	<b>2,768,874</b>	<b>1,861,359</b>	<b>4,630,233</b>	<b>2,514,930</b>	<b>1,646,390</b>	<b>4,161,320</b>

## 28. Concentrations of funding

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

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

### As at 31 December

	2024	2023
<b>Total funding comprises</b>		
Due to other financial institutions	1,722,532	1,249,195
Deposits from customers	556,654	509,320
Debt securities issued	713,266	872,408
Due to related parties	1,616,223	1,449,368
<b>Total funding</b>	<b>4,608,675</b>	<b>4,080,291</b>

### Concentration of funding by industry sector

Accommodation and food services	33,817	31,115
Agriculture, forestry and fishing	2,184	5,356
Construction	15,973	20,866
Electricity, gas, water and waste services	1,061	-
Financial and insurance services	2,707,139	2,303,076
Households	13,143	13,153
Information media & telecommunications	16,392	-
Local government administration	-	82,316
Manufacturing	5,132	548
Other	73,731	55,815
Rental, hiring and real estate services	32,691	27,261
Retail trade	69	156
Transport, postal and warehousing	91,082	90,596
Wholesale trade	38	665
<b>Subtotal</b>	<b>2,992,452</b>	<b>2,630,923</b>
Due to related parties (including subordinated debt)	1,616,223	1,449,368
<b>Total funding</b>	<b>4,608,675</b>	<b>4,080,291</b>

### Concentration of funding by geographic region <sup>1</sup>

New Zealand	1,389,460	1,464,447
Other countries	3,219,215	2,615,844
<b>Total funding</b>	<b>4,608,675</b>	<b>4,080,291</b>

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

## 29. Capital adequacy

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

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

### Capital management

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

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

The key features of the ICAAP and Internal Capital Assessment:

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

### CCBNZL regulatory requirement

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

In accordance with the decisions announced by RBNZ following the 2019 Capital Review as a condition of registration effective 1 July 2024, the CCBNZL must comply with the following minimum requirements set by the RBNZ:

- Total capital ratio must not be less than 9% of risk weighted exposures;
- Tier 1 capital ratio must not be less than 7% of risk weighted exposures;
- Common Equity Tier 1 capital ratio must not be less than 4.5% of risk weighted exposures;
- Capital of the Bank must not be less than NZ\$30 million.

The revised framework requires CCBNZL, to increase its capital ratio to a minimum 16% by July 2028. CCBNZL does not expect the revised framework to result in any changes to the underlying business model or its approach to raising equity.

CCBNZL has complied with all the relevant RBNZ minimum capital ratios to which it was subject during the reporting period. CCBNZL's total capital ratio was 17.62% as at 31 December 2024 (31 December 2023: 19.44%).

### Overseas Banking Group regulatory requirement

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

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

The Overseas Banking Group met the capital requirements imposed on them by the NFRA as at 30 September 2024.

This information is available via the Overseas Bank's website ([www.ccb.com](http://www.ccb.com)).

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

<u>As at</u>	<b>Unaudited</b> <b>30 Sep 2024</b>	<b>Unaudited</b> <b>30 Sep 2023</b>
<b>Ultimate Parent Bank Group</b>		
Common equity tier 1 capital ratio	14.10%	12.92%
Tier 1 capital ratio	15.00%	13.82%
Total capital ratio	19.35%	17.57%

The capital ratios for the Ultimate Parent Bank, as a stand-alone entity, are not publicly available.

## Capital instruments

### Ordinary shares

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

In relation to the ordinary shares:

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

## Credit and market risk

### Additional mortgage information

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

<u>As at 31 December 2024 (Unaudited)</u>	<b>Does not</b> <b>exceed 80%</b>	<b>Exceeds</b> <b>80% and</b> <b>not 90%</b>	<b>Exceeds</b> <b>90%</b>	<b>Total</b>
<b>Loan-to-valuation ratio</b>				
On-balance sheet exposures				
Residential mortgages - owner occupied	432,371	-	-	432,371
Residential mortgages - investment	434,310	-	-	434,310
<b>Total on-balance sheet exposures</b>	<b>866,681</b>	<b>-</b>	<b>-</b>	<b>866,681</b>
Off-balance sheet exposures	-	-	-	-
<b>Value of exposures</b>	<b>866,681</b>	<b>-</b>	<b>-</b>	<b>866,681</b>

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

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

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

<b>Reconciliation of residential mortgage related amounts</b>		<b>Unaudited</b> <b>Note 31 Dec 2024</b>
Total residential mortgages	11	873,069
Reconciling items:		
Less: Provision for impairment losses on credit exposures	24 (a)	(6,388)
<b>On-balance sheet exposures</b>	24 (a)	<b>866,681</b>
<b>Off-balance sheet exposures</b>		<b>-</b>
<b>Total residential mortgage exposures</b>		<b>866,681</b>

**Market risk**

	End of period capital charge		Peak end-of-day capital charge	
	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
<b>As at 31 December 2024 (Unaudited)</b>				
Interest rate risk	74,663	5,973	88,984	7,119
Foreign currency risk	9,420	754	9,420	754
<b>Total market risk</b>	<b>84,083</b>	<b>6,727</b>	<b>98,404</b>	<b>7,873</b>

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the six months ended 31 December 2024 of the aggregate capital charge at the close of each business day derived in accordance with Part A of BPR140: Market Risk.

**Other Disclosures****30. Insurance business, securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products****Insurance**

The NZ Banking Group does not conduct any insurance business.

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

The NZ Banking Group is not involved in:

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

**31. Commitments and contingent liabilities**

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

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

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

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
<b>Credit related commitments and contingent liabilities</b>		
Commitments to extend credit <sup>1</sup>	1,084,720	1,091,634
Standby letters of credit	-	141,788
Non-financial guarantees	127	196
<b>Total credit related commitments and contingent liabilities</b>	<b>1,084,847</b>	<b>1,233,618</b>

<sup>1</sup> Commitments to extend credit includes provision for off-balance sheet credit related business.

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

**32. Offsetting of financial assets and financial liabilities**

There were no assets and liabilities which were subject to offsetting, enforceable master netting arrangements and similar agreements at 31 December 2024 or 31 December 2023.

### 33. Events subsequent to the reporting date

There was no material event that occurred subsequent to the reporting date that requires recognition or additional disclosure in these financial statements.

### 34. Other material matters

The Board is of the opinion that there are no other material matters relating to the business or affairs of the NZ Banking Group which are not contained elsewhere in this Disclosure Statement and which would, if disclosed in this Disclosure Statement, materially affect the decision of a person to subscribe for debt securities of which NZ Banking Group is the issuer. As at the date of signing this Disclosure Statement, a corporate customer remains under statutory management, with statutory managers appointed. The statutory management process is ongoing, and no material impact on the NZ Banking Group is anticipated at this stage.

### 35. Other information on the Overseas Banking Group

<u>As at</u>	<b>30 September 2024</b>
<b>Profitability</b>	
Net profit after tax for the period ended 30 September 2024	RMB 257,112 million
Net profit after tax for the 12 months ended 30 September 2024 as a % of average total assets	0.85%
<b>Size</b>	
Total assets	RMB 40,923,042 million
% change in total assets from 30 September 2023	8.13%
<u>As at</u>	<b>30 June 2024</b>
<b>Asset quality</b>	
Total gross individually impaired assets	RMB 342,904 million
Total individually impaired assets as a % of total assets	0.85%
Total individual credit impairment allowance	RMB 232,338 million
Total individual credit impairment allowance as a % of total gross individually impaired assets	67.76%
Total collective impairment allowance	RMB 582,783 million

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

### 36. Credit ratings of the Overseas Bank

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

Rating Agency	Current credit	Rating outlook
Standard & Poor's Ratings Services	A	Stable
Moody's Investors Service	A1	Negative
Fitch Ratings	A	Negative

A credit rating is not a recommendation to buy, sell or hold securities of the Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agencies. Investors in the Bank's securities are cautioned to evaluate each rating independently of any other rating. In November 2011, Standard & Poor's affirmed the Overseas Bank's A rating. On 6 December 2023, Moody's Investors Service affirmed the Overseas Bank's A1 rating and adjusted the outlook from stable to negative. On 16 April 2024, Fitch affirmed the Overseas Bank's A rating and adjusted the outlook from stable to negative.

#### Descriptions of the credit rating scales are as follows:

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:

Rating Agency	S&P Global Ratings <sup>1</sup>	Moody's Investors Service <sup>2</sup>	Fitch Ratings <sup>1</sup>
<b>Investment grade:</b>			
Ability to repay principal and interest is extremely strong. This is the highest investment category.	AAA	Aaa	AAA
Very strong ability to repay principal and interest.	AA	Aa	AA
Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.	A	A	A
Adequate ability to repay principal and interest. More vulnerable to adverse changes.	BBB	Baa	BBB
<b>Speculative grade:</b>			
Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.	BB	Ba	BB
Greater vulnerability and therefore greater likelihood of default.	B	B	B
Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.	CCC	Caa	CCC
Highest risk of default.	CC to C	Ca to C	CC to C
Obligations currently in default.	D	C	RD & D

<sup>1</sup> S&P Global Ratings and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories.

<sup>2</sup> Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications with 1 indicating the higher end and 3 the lower end of the rating category.

### 37. Conditions of registration

The following conditions of registration were applicable as at 31 December 2024 and have applied from 21 December 2017 as per RBNZ's letter.

The registration of China Construction Bank Corporation ("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 China Construction Bank Corporation complies with the requirements imposed on it by the China Banking Regulatory Commission.
6. That, with reference to the following table, each capital adequacy ratio of China Construction Bank Corporation must be equal to or greater than the applicable minimum requirement.

Capital adequacy ratio	Minimum requirement
Common Equity Tier 1 capital	5 percent
Tier 1 capital	6 percent
Total capital	8 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 the China Banking 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 China Construction Bank (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.

The branch and CCBNZL have complied with all conditions of registration over the accounting period.

There have been no changes to the conditions of registration between 1 January 2024 to 31 December 2024 for the branch.



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## **Assurance engagements performed by Ernst & Young**

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

Our assurance procedures consisted of the following:

- 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 9 to 62 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 25), additional information on interest rate sensitivity (Note 26), additional information on liquidity risk (Note 27), registered bank profitability and size (Note 35) and reconciliation of mortgage-related amounts (Note 29)), Schedule 7 (Asset quality in Note 24), Schedule 11 (Insurance, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products in Note 30) and Schedule 13 (Risk management policies in Notes 22 to 28) 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 29 (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 China Construction Bank Corporation**

### **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.



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This report is made solely to the Directors of China Construction Bank Corporation, as a body. Our audit has been undertaken so that we might state to the Directors of China Construction Bank Corporation those matters we are required to state to them in an 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 China Construction Bank Corporation, 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**

As described in Notes 1 Statement of accounting policies, 5 Impairment (charges) / write-backs on credit exposures and 11 Loans and advances, 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:

- ▶ the application of the impairment requirements

#### **How our audit addressed the key audit matter**

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



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under NZ IFRS 9 within the Group's provision for impairment losses methodology;

- ▶ whether there were exposures required to be individually assessed for impairment;
- ▶ 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.

- ▶ the sensitivity of the provision for impairment losses on corporate credit exposures to changes 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 China Construction Bank Corporation 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 China Construction Bank Corporation 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.



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In preparing the Financial Statements and Supplementary Information, the Directors of China Construction Bank Corporation 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 China Construction Bank Corporation 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 Emma Winsloe.

The signature 'Ernst &amp; Young' is written in a black, cursive script.

Chartered Accountants  
Auckland  
28 March 2025



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## **Independent Assurance Report to the Directors of China Construction Bank Corporation**

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

#### **Conclusion**

We have undertaken a limited assurance engagement on the compliance 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 29 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 China Construction Bank Corporation 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 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 China Construction Bank Corporation 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 China Construction Bank Corporation for our limited assurance work, for this report, or for the conclusions we have formed. We acknowledge that our report will be included in the Group's Disclosure Statement.

The signature 'Ernst &amp; Young' is written in a black, cursive script font.

Chartered Accountants  
Auckland  
28 March 2025