China Construction Bank (New Zealand) Limited

Disclosure Statement

For the six months ended
30 June 2020

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Disclosure Statement

For the six months ended 30 June 2020

General Information and Definitions

This Disclosure Statement has been issued by China Construction Bank (New Zealand) Limited (the "Bank") in accordance with Section 81 of the Reserve Bank of New Zealand Act 1989 and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement:

- "Banking Group" refers to the Bank and its subsidiaries. As at the date of this Disclosure Statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;
- the "Ultimate Parent Bank", "Immediate Parent Bank" and "CCB" mean China Construction Bank Corporation;
- China Construction Bank Corporation New Zealand Branch referred to as the ("Branch") – refers to the New Zealand Branch of the Ultimate Parent Bank and includes all banking business transacted in New Zealand through the Branch;
- "Board" means the Board of Directors of the Bank; and
- "Reserve Bank" means the Reserve Bank of New Zealand.

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 unless otherwise stated.

Corporate Information

China Construction Bank (New Zealand) Limited was incorporated under the Companies Act 1993 (Company Number 4929019) on 30 January 2014. It became a registered bank on 15 July 2014.

The Bank's registered office and address for service is Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand. The Bank's website address is: http://nz.ccb.com. A copy of this Disclosure Statement is available on the Bank's website or upon request at the Bank's registered office.

Ultimate Parent and Holding Company

The Bank is a wholly-owned subsidiary of China Construction Bank Corporation ("CCB") which is the Bank's ultimate parent bank (the "Ultimate Parent Bank") and ultimate holding company. CCB was incorporated in China and is subject to supervision by banking regulatory bodies empowered by the State Council of the People's Republic of China. The address for service of CCB is No. 25, Financial Street, Xicheng District, Beijing 100033, the People's Republic of China.

Significant Interest in the Registered Bank

The Ultimate Parent Bank has a direct qualifying interest in 100% of the voting securities of the Bank and has the power to directly appoint up to 100% of the Board of Directors of the Bank. All appointments to the Board must be approved by the Reserve Bank.

Limits on Material Financial Support by the Ultimate Parent Bank

There are no regulations, legislation or other restrictions of a legally enforceable nature in China that may materially inhibit the legal ability of CCB to provide material financial support to the Bank.

Directorate

The Directors of the Bank at the time this Disclosure Statement was signed were: Dr. Murray Horn, John Shewan, Jun Qi, Xingyao Li, Michael Allen and Yangtong Jin.

Apart from the above, there have been no other changes in the Board since 31 December 2019.

Responsible Person

Mr Jun Qi (Executive Director), has been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank Act on behalf of the Directors, being:

Dr Murray Horn (Chair), John Shewan, Michael Allen, Xingyao Li and Yangtong Jin.

Credit Ratings

The Bank has the following credit ratings as at the date the Directors signed this Disclosure Statement.

	Moody's Investors Service	Fitch Ratings
Long-term credit rating	A1	A
Short-term credit rating	P-1	F1+
Outlook	Stable	Stable

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. There have been no changes to Moody's credit ratings in the two years prior to the signing date of this Disclosure Statement.

The Bank was issued a new credit rating by Fitch Australia Pty Ltd (Fitch Ratings) on 13 January 2020. S&P Global credit rating was withdrawn on 5 May 2020 on the Bank's request.

Descriptions of the credit rating scales are as follows:

The following table describes the credit rating grades available for long-term senior unsecured obligations:

Rating Agency	S&P Global Ratings (a)	Moody's Investors Service (b)	Fitch Ratings (a)
The following grades display investment grade characteristics:			
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
The following grades have predominantly speculative characteristics:			
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	-	RD & D

(a) 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.

(b) 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.

Below is the description of short-term rating grades:

S&P Global Ratings

A-1 A short-term obligation rated 'A-1' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations is extremely strong.

A-2 A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

A-3 A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor's capacity to meet its financial commitments on the obligation.

B A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.

C A short-term obligation rated 'C' is currently vulnerable to non-payment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation.

D A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed exchange offer.

Moody's Investors Service

P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3 Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

NP NP Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Fitch Ratings

F1 Highest Short-Term Credit Quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2 Good Short-Term Credit Quality. Good intrinsic capacity for timely payment of financial commitments.

F3 Fair Short-Term Credit Quality. The intrinsic capacity for timely payment of financial commitments is adequate.

B Speculative Short-Term Credit Quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C High Short-Term Default risk. Default is a real possibility.

RD Restricted Default. Indicates an entity that has defaulted on one or more of its financial commitments, although it

D Default. Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Guarantee Arrangements

(a) Details of Guaranteed Obligations

As at the date of this Disclosure Statement, under the terms of the Deed of Guarantee (“the Guarantee”), the obligations of the Bank are guaranteed by CCB.

A copy of the Deed of Guarantee given by CCB is provided in the Bank’s Disclosure Statement for the year ended 31 December 2019 which can be obtained from the Bank’s website http://nz.ccb.com or the Bank’s registered office.

There have been no changes to the Deed of Guarantee since the publication of the Bank’s full year Disclosure Statement for the year ended 31 December 2019.

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.

(b) Details of the Guarantor

The guarantor is CCB, which is not a member of the Banking Group. The address for service of the guarantor is No. 25, Financial Street, Xicheng District, Beijing 100033, the People's Republic of China.

CCB has implemented the advanced measurement approaches for capital management from April 2014. As disclosed in CCB's unaudited consolidated results for the three months period ended 31 March 2020, considering relevant rules in the transition period, CCB Group's total capital for capital adequacy purposes was RMB 2,743,457 million (NZD 604,339 million) and its total capital ratio was 17.22%. The capital ratio was calculated in accordance with the Capital Rules for Commercial Banks (Provisional) promulgated by the China Banking Regulatory Commission (CBRC) in June 2012.

CCB has the following credit ratings applicable to its long-term senior unsecured obligations payable in Chinese Yuan Renminbi ("RMB") as at the date the Directors signed this Disclosure Statement:

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

Pending Proceedings or Arbitration

There are no pending legal proceedings or arbitration at the date of this Disclosure Statement involving the Bank, whether in New Zealand or elsewhere, that may have a material adverse effect on the Bank.

Conditions of Registration

The following changes have been made to the Bank's Conditions of Registration since 31 December 2019 pursuant to section 74(2) of the Reserve Bank of New Zealand Act 1989:

A. Effective 2 April 2020:

(a) Condition 1B has been modified to restrict the distributions of retained earnings or other reserves included within the Bank's total capital, regardless of the size of the buffer ratio; and

(b) Condition 11 (c) has been modified to reduce the minimum requirement for the core funding ratio from 75% to 50%.

B. Effective 1 May 2020:

(a) Conditions 15 to 17 that impose restrictions on residential mortgage loan-to-value ratio (LVR) were removed for a period of 12 months.

There have been no other changes to the Bank's Conditions of Registration.

Other Material Matters

The Board is of the opinion that there are no material matters relating to the business or affairs of the Bank which are not contained elsewhere in the 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 the Bank is the issuer.

Auditor

The appointed auditor for the Bank is Ernst & Young ("EY"). The auditor's address is 2 Takutai Square, Britomart, Auckland 1010, New Zealand.

Directors' Statements

Each Director of the Bank 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 of the Bank believes, after due enquiry that, for the six months period ended 30 June 2020:

(a) the Bank has complied with all conditions of registration;
(b) credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and
(c) the Bank had systems in place to monitor and control adequately the material risks of the 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.

This Disclosure Statement is dated 17 August 2020 and has been signed by Mr Jun Qi as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Mr Jun Qi
EXECUTIVE DIRECTOR

Statement of Comprehensive Income

For the period ended	Note	Unaudited 30 Jun 2020 6 months $000	Unaudited 30 Jun 2019 6 months $000	Audited 31 Dec 2019 12 months $000
Interest income	2	29,673	29,100	57,764
Interest expense	2	(15,368)	(17,765)	(33,257)
Other interest (expense)/income	2	(19)	(11)	(126)
Net interest Income	2	**14,286**	**11,324**	**24,381**
Net non-interest income	3	1,791	5,516	8,980
Total operating income		**16,077**	**16,840**	**33,361**
Operating expenses		(5,503)	(7,509)	(14,485)
Impairment (losses) / write-back on credit exposures	4	(3,935)	(311)	(1,803)
Profit/ (Loss) before income tax		**6,639**	**9,020**	**17,073**
Income tax expense		(1,938)	(2,533)	(4,892)
Profit after income tax attributable to the owner of the Bank		**4,701**	**6,487**	**12,181**
Other comprehensive income, net of tax				
Other comprehensive income which will not be reclassified to profit or loss		-	-	-
Other comprehensive income which may be reclassified to profit or loss		568	111	(192)
Total other comprehensive income, net of tax		**568**	**111**	**(192)**
Total comprehensive income attributable to the owner of the Bank		**5,269**	**6,598**	**11,989**

These interim financial statements are to be read in conjunction with the notes on pages 12 - 38.

Statement of Changes in Equity

For the 6 months ended 30 June 2020 (Unaudited)	Share Capital $000	Retained Earnings $000	Cash Flow Hedge Reserve $000	FVOCI Reserve $000	Total $000
Balance at 01 January 2020	199,178	28,868	(337)	(52)	227,657
Profit after income tax	-	4,701	-	-	4,701
Other comprehensive income	-	-	307	261	568
Total comprehensive income for the year	**-**	**4,701**	**307**	**261**	**5,269**
Transactions with owners:					
Shares issued during the year	-	-	-	-	-
Dividends paid on ordinary shares	-	-	-	-	-
Balance at 30 June 2020	**199,178**	**33,569**	**(30)**	**209**	**232,926**

For the 6 months ended 30 June 2019 (Unaudited)	Share Capital $000	Retained Earnings $000	Cash Flow Hedge Reserve $000	FVOCI Reserve $000	Total $000
Balance at 01 January 2019	199,178	16,687	(197)	-	215,668
Profit after income tax	-	6,487	-	-	6,487
Other comprehensive income	-	-	113	(2)	111
Total comprehensive income for the period	**-**	**6,487**	**113**	**(2)**	**6,598**
Transactions with owners:					
Shares issued during the year	-	-	-	-	-
Dividends paid on ordinary shares	-	-	-	-	-
Balance at 30 June 2019	**199,178**	**23,174**	**(84)**	**(2)**	**222,266**

For the 12 months ended 31 December 2019 (Audited)	Share Capital $000	Retained Earnings $000	Cash Flow Hedge Reserve $000	FVOCI Reserve $000	Total $000
Balance at 01 January 2019	199,178	16,687	(197)	-	215,668
Profit after income tax	-	12,181	-	-	12,181
Other comprehensive income	-	-	(140)	(52)	(192)
Total comprehensive income for the period	**-**	**12,181**	**(140)**	**(52)**	**11,989**
Transactions with owners:					
Shares issued during the year	-	-	-	-	-
Dividends paid on ordinary shares	-	-	-	-	-
Balance at 31 December 2019	**199,178**	**28,868**	**(337)**	**(52)**	**227,657**

These interim financial statements are to be read in conjunction with the notes on pages 12 - 38.

Balance Sheet

As at	Note	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Assets				
Cash and balances with central bank	6	59,691	6,844	38,161
Due from other financial institutions	7	184,033	183,413	145,196
Investment securities	8	33,125	190,720	201,549
Loans and advances	9	1,586,303	1,118,018	1,425,054
Due from related parties	16	2,218	1,425	15,264
Derivative financial assets	10	48,723	38,739	33,622
Property, plant and equipment	11	1,145	2,240	1,730
Intangible assets		60	104	80
Deferred tax assets		3,587	1,990	2,621
Other assets		113	234	140
Total assets		**1,918,998**	**1,543,727**	**1,863,417**
Liabilities				
Due to other financial institutions		-	-	-
Deposits from customers	12	242,404	189,782	238,978
Debt securities issued	13	1,059,385	691,130	976,213
Due to related parties	16	352,079	414,385	382,555
Subordinated debt	16	15,086	15,124	15,107
Derivative financial liabilities	10	12,339	6,922	15,961
Current tax liabilities		1,066	1,009	2,724
Other liabilities	14	3,713	3,109	4,222
Total liabilities		**1,686,072**	**1,321,461**	**1,635,760**
Shareholder's equity				
Share capital		199,178	199,178	199,178
Retained earnings		33,569	23,174	28,868
Reserves		179	(86)	(389)
Total shareholder's equity		**232,926**	**222,266**	**227,657**
Total liabilities and shareholder's equity		**1,918,998**	**1,543,727**	**1,863,417**
Total interest earning and discount bearing assets		1,873,347	1,502,113	1,827,964
Total interest and discount bearing liabilities		1,643,531	1,288,692	1,591,591

These interim financial statements were approved by the Directors on 17 August 2020 and are signed on their behalf by:

Dr Murray Horn
CHAIR

Mr Jun Qi
EXECUTIVE DIRECTOR

These interim financial statements are to be read in conjunction with the notes on pages 12 - 38.

Cash Flow Statement

For the period ended	Note	Unaudited 30 Jun 2020 6 months $000	Unaudited 30 Jun 2019 6 months $000	Audited 31 Dec 2019 12 months $000
Cash flows from operating activities				
Interest received		29,942	28,751	56,059
Interest paid		(2,594)	(2,717)	(5,312)
Income received from financial instruments designated at FVTPL		1,846	1,756	3,329
Non-interest income received		5,871	3,754	21,413
Non-interest expense paid		(311)	(388)	(866)
Operating expenses paid		(4,914)	(7,694)	(12,444)
Income taxes paid		(4,681)	(6,356)	(7,532)
Net cash flows from operating activities before changes in operating assets and		**25,159**	**17,106**	**54,647**
Net changes in operating assets and liabilities:				
Net decrease/(increase):				
GST receivable		32	26	(18)
Other assets		(6)	(23)	117
Loans and advances		(165,969)	(134,972)	(443,032)
Due from related parties		10,018	(707)	(9,941)
Net increase/(decrease):				
Due to other financial institutions		-	-	-
Deposits from customers		3,710	(12,126)	37,489
Net changes in operating assets and liabilities		**(152,215)**	**(147,802)**	**(415,385)**
Net cash flows provided by/ (used in) operating activities	5	**(127,056)**	**(130,696)**	**(360,738)**
Cash flows from investing activities				
Purchase of investment securities		167,334	(1,643)	(12,161)
Placements with other financial institutions		(20,128)	(65,292)	-
Purchase of property, plant and equipment		(72)	(10)	(168)
Purchase of intangible assets		(1)	-	-
Net cash flows used in investing activities		**147,133**	**(66,945)**	**(12,329)**
Cash flows from financing activities				
Amount borrowed from related parties		36,074	21,998	38,808
Repayments of due to related parties		(58,260)	(28,663)	(80,934)
Issuance of debt issues	13	155,000	97,834	462,133
Repayments of debt securities	13	(95,000)	(104,000)	(181,300)
Repayment of lease liabilities		(438)	(418)	(861)
Interest paid on financing activities		(20,243)	(15,428)	(28,100)
Net cash flows (used in)/ provided by financing activities		**17,133**	**(28,677)**	**209,746**
Net increase/ (decrease) in cash and cash equivalents		37,210	(226,318)	(163,321)
Cash and cash equivalents at beginning of the year		188,603	351,924	351,924
Cash and cash equivalents at end of the period	20 (a)	**225,813**	**125,606**	**188,603**
Cash and cash equivalents at end of the period comprise:				
Due from other financial institutions (call or original maturity of 3 months or less)	20 (a)	163,904	118,121	145,196
Cash and balances with central banks	20 (a)	59,691	6,844	38,161
Due from related parties (nostro account)	20 (a)	2,218	641	5,246
Cash and cash equivalents at end of the period	20 (a)	**225,813**	**125,606**	**188,603**

These interim financial statements are to be read in conjunction with the notes on pages 12 - 38.

Notes to the Financial Statements

1. Statement of Accounting Policies

1.1 Reporting Entity

These condensed interim financial statements are for China Construction Bank (New Zealand) Limited (the Bank), for the six months ended 30 June 2020.

They were approved for issue by the Board of Directors (the "Board") of the Bank on 17 August 2020.

As at 30 June 2020, China Construction Bank (New Zealand) Limited is a company registered under the Companies Act 1993, a registered bank under the Reserve Bank Act 1989 and a FMC reporting entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

The principal activity of the Bank is the provision of a range of banking products and services to business, corporate, institutional and retail customers.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Bank's financial statements for the full year ended 31 December 2019.

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 Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). These financial statements comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for Tier 1 for-profit entities and the New Zealand equivalent to IAS 34 Interim Financial Reporting. These financial statements also comply with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

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

The going concern and the accrual basis of accounting have been adopted. All amounts are expressed in thousands of New Zealand Dollars, unless otherwise stated.

Certain comparative information has been reclassified to ensure consistency with the current reporting period. This has been highlighted in the relevant notes.

1.3 Changes in accounting policies

The accounting policies and methods of computation are consistent with those of the Bank's financial statements for the full year ended 31 December 2019 and half year ended 30 June 2019. There have been no material changes to the accounting policies during the six months ended 30 June 2020.

Interest rate benchmark reform

The publication of the London Interbank Offered Rate ('LIBOR') will be discontinued from 31 December 2021. The Bank has commenced work to assess and work through the required changes to the internal processes and systems that will be affected by this change.

Financial Performance

2. Net interest income

	Unaudited Jun 2020 6 months $000	Unaudited Jun 2019 6 months $000	Audited Dec 2019 12 months $000
Interest income			
[1] Cash and balances with central bank	144	327	558
[1] Due from other financial institutions	839	3,816	5,094
[1] Loans and advances [*]	28,362	24,664	51,565
[1] Due from related parties	10	60	66
[2] Investment securities	318	233	481
Total interest income	**29,673**	**29,100**	**57,764**
Interest expense			
[3] Due to other financial institutions	-	-	(11)
[3] Deposits and other borrowings	(2,480)	(2,720)	(5,255)
[3] Due to related parties	(2,294)	(3,285)	(6,611)
[3] Debt securities issued	(10,578)	(11,730)	(21,327)
[3] Lease Liabilities	(16)	(30)	(53)
Total interest expense	**(15,368)**	**(17,765)**	**(33,257)**
Other interest (expense)/income			
[4] Investment securities	264	1,526	3,144
[4] Due to related party	(283)	(1,537)	(3,270)
Total other interest (expense)/income	**(19)**	**(11)**	**(126)**
Total net interest income	**14,286**	**11,324**	**24,381**

[1] *Interest earned on financial assets classified and measured at amortised cost.*
[2] *Interest earned on financial assets classified and measured at FVOCI.*
[3] *Interest expense on financial liabilities classified and measured at amortised cost.*
[4] *Interest earned on financial assets and interest expense on financial liabilities classified and measured at FVTPL*
[*] *Interest earned on impaired assets is nil, (30 June 2019: nil, 31 December 2019: nil).*

3. Non-interest income

	Unaudited Jun 2020 6 months $000	Unaudited Jun 2019 6 months $000	Audited Dec 2019 12 months $000
Fee income			
Lending and credit facility related fee income	1,349	893	3,373
Other fee expense	(263)	(94)	(345)
Trade finance and other fee income	40	41	101
Management fee income	244	3,289	4,472
Total fee income	**1,370**	**4,129**	**7,601**
Other income (expense)			
Net ineffectiveness on qualifying hedges	121	(346)	(296)
Net gain/(loss) on derivatives	356	(730)	(533)
Loss on disposal of financial assets at fair value through profit or loss	-	-	-
Loss on early redemption of foreign currency borrowing	-	-	-
Gain on early termination of derivatives	-	-	-
Unrealised gain/(loss) on financial assets at fair value through profit or loss	(88)	749	809
Unrealised gain/(loss) on financial liabilities at fair value through profit or loss	32	1,714	1,399
Total other income (expense)	**421**	**1,387**	**1,379**
Total net non-interest income	**1,791**	**5,516**	**8,980**

4. Impairment losses on credit exposures

	Due from other financial institutions	Loans and advances			Total impairment loss
		Residential mortgage loans	Corporate exposures	Other exposures	
	$000	$000	$000	$000	$000
For the six months ended 30 Jun 2020 (Unaudited)					
Movement in collective provision 12-months ECL	2	2,346	1,587	-	3,935
Movement in collective provision Lifetime ECL not credit impaired	-	-	-	-	-
Movement in collective provision Lifetime ECL credit impaired	-	-	-	-	-
Movement in specific provision Lifetime ECL credit impaired	-	-	-	-	-
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-		-	-	-
Total impairment losses on loans and advances	**2**	**2,346**	**1,587**	**-**	**3,935**
For the six months ended 30 Jun 2019 (Unaudited)					
Movement in collective provision 12-months ECL	(50)	64	297	-	311
Movement in collective provision Lifetime ECL not credit impaired	-	-	-	-	-
Movement in collective provision Lifetime ECL credit impaired	-	-	-	-	-
Movement in specific provision Lifetime ECL credit impaired	-	-	-	-	-
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment losses on loans and advances	**(50)**	**64**	**297**	**-**	**311**
For the year ended 31 Dec 2019 (Audited)					
Movement in collective provision 12-months ECL	(62)	602	1,298	-	1,838
Movement in collective provision Lifetime ECL not credit impaired	-	-	-	-	-
Movement in collective provision Lifetime ECL credit impaired	-	-	-	-	-
Movement in specific provision Lifetime ECL credit impaired	-	-	-	-	-
Bad debts written-off directly to the profit or loss	-	(35)	-	-	(35)
Bad debts recovered	-	-	-	-	-
Total impairment losses on loans and advances	**(62)**	**567**	**1,298**	**-**	**1,803**

5. Net Cash Flows used in Operating Activities

For the six months ended	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Reconciliation of profit after income tax to net cash flows from (used in) operating activities			
Profit after income tax	4,701	6,487	12,181
Adjustments:			
Impairment losses on credit exposures	3,935	311	1,803
Depreciation and amortisation	677	709	1,401
Deduct/(add) items reclassified as financing activities	20,243	15,428	28,100
Income tax expense	(2,743)	(3,823)	(2,640)
Movement in fair value of financial assets and liabilities	3,769	(2,151)	11,567
Movement in interest accruals	(5,423)	145	2,235
Net (increase)/decrease in operating assets:			
GST receivable	32	26	(18)
Loans and advances	(165,969)	(134,972)	(443,032)
Due from related parties [1]	10,018	(707)	(9,941)
Other assets	(6)	(23)	117
Net increase/(decrease) in operating liabilities:			
Due to other financial institutions	-	-	-
Deposits from customers	3,710	(12,126)	37,489
Net cash flow from (used in) operating activities	**(127,056)**	**(130,696)**	**(360,738)**

[1] *The amount of due from related parties excludes nostro balances held with Ultimate Parent Bank.*

Financial Position

6. Cash and balances with Central Bank

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Settlement account balances with central bank	59,691	6,844	38,161
Total cash and balances with central bank	**59,691**	**6,844**	**38,161**

7. Due from other financial institutions

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Placements with other financial institutions – call	11,026	8,370	9,124
Placements with other financial institutions – term	173,017	175,063	136,080
Provision for impairment losses	(10)	(20)	(8)
Total amount due from other financial institutions	**184,033**	**183,413**	**145,196**

8. Investment securities

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
At FVOCI			
Registered bank securities	6,500	27,266	6,502
Multilateral development banks and other international organisation	26,625	-	45,094
RBNZ bills	-	12,986	-
Provision for impairment losses [1]	-	(4)	-
Total investment securities at FVOCI	**33,125**	**40,248**	**51,596**
At FVTPL			
Government securities	-	150,472	149,953
Total investment securities at FVTPL	**-**	**150,472**	**149,953**
Total investment securities	**33,125**	**190,720**	**201,549**

[1] Provision for impairment losses on Investment securities measured at FVOCI are recognised in other comprehensive income through "FVOCI reserve".

9. Loans and Advances

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Residential mortgages	757,022	666,565	701,487
Corporate exposures	840,252	456,684	731,083
Other exposures	-	-	-
Total gross loans and advances	**1,597,274**	**1,123,249**	**1,432,570**
Unearned income	(1,921)	(2,490)	(2,411)
Loan origination fees	1,090	1,127	904
Fair value hedge adjustments	239	1,039	437
Loans and advances before provisions for impairment	**1,596,682**	**1,122,925**	**1,431,500**
Provision for impairment losses	(10,379)	(4,907)	(6,446)
Total net loans and advances	**1,586,303**	**1,118,018**	**1,425,054**

10. Derivative financial instruments

	As at 30 Jun 2020 (Unaudited)			As at 30 Jun 2019 (Unaudited)		
	Notional Amount $000	Fair Values Assets $000	Fair Values Liabilities $000	Notional Amount $000	Fair Values Assets $000	Fair Values Liabilities $000
Held for Trading						
Interest rate swap	195,617	8,205	(7,946)	212,267	6,044	(5,647)
Forward contracts	54,369	279	(241)	3,882	31	(32)
FX Swaps	6,265	49	(33)	6,886	46	(22)
Fair value hedges						
Interest rate swap	518,443	22,765	(419)	835,121	14,677	(1,078)
Dual fair value and cash flow hedges						
Cross Currency Interest rate swap	406,669	17,100	(2,076)	345,025	17,887	-
Economic Hedge						
Cross Currency Interest rate swap	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
FX Swaps	196,402	325	(1,624)	61,749	54	(143)
Total derivative financial instruments	**1,377,765**	**48,723**	**(12,339)**	**1,464,930**	**38,739**	**(6,922)**

	As at 31 Dec 2019 (Audited)		
	Notional Amount $000	Fair Values Assets $000	Fair Values Liabilities $000
Held for Trading			
Interest rate swap	195,616	5,503	(5,149)
Forward contracts	6,841	75	(48)
FX Swaps	1,520	19	(14)
Fair value hedges			
Interest rate swap	630,325	13,027	(1,481)
Dual fair value and cash flow hedges			
Cross Currency Interest rate swap	481,623	13,380	(9,269)
Economic Hedge			
Forward contracts	-	-	-
FX Swaps	78,013	1,618	-
Total derivative financial instruments	**1,393,938**	**33,622**	**(15,961)**

11. Property, plant and equipment

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Property, plant and equipment owned	3,554	3,324	3,482
Accumulated depreciation	(3,218)	(2,732)	(2,981)
Total Property, plant and equipment owned	**336**	**592**	**501**
Right-of-use asset	2,067	2,067	2,067
Accumulated depreciation	(1,258)	(419)	(838)
Total Right-of-use asset	**809**	**1,648**	**1,229**
Total Property, plant and equipment	**1,145**	**2,240**	**1,730**

Additions to the Right-of-use assets for the six months ended 30 June 2020 is $ nil.

12. Deposits from Customers

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Demand deposits bearing interest [1]			
Retail	22,665	20,782	23,793
Wholesale	34,081	12,940	25,580
Term deposits [1]			
Retail	19,041	5,162	15,581
Wholesale	165,261	148,839	172,385
Money market deposits			
Wholesale	-	-	-
Total deposits from customers excluding not bearing interest	**241,048**	**187,723**	**237,339**
Demand deposits not bearing interest	1,356	2,059	1,639
Total deposits from customers	**242,404**	**189,782**	**238,978**

[1] *Comparative information for 30 June 2019 has been reclassified to ensure consistency and presentation with current year reporting.*

13. Debt securities issued

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Short term debt			
Registered certificate of deposits	151,000	60,000	46,000
Total short term debt	**151,000**	**60,000**	**46,000**
Long term debt	-	-	-
Domestic medium-term notes	885,833	616,076	916,765
Total long term debt	**885,833**	**616,076**	**916,765**
Total debt securities issued	**1,036,833**	**676,076**	**962,765**
Debt securities issued at face value	1,036,833	676,076	962,765
Total debt securities issued at face value	**1,036,833**	**676,076**	**962,765**
Movement in debt securities issued			
Balance at beginning of the year	976,213	690,246	690,246
Issuance during the period	155,000	97,500	462,133
Repayments during the period	(95,000)	(104,000)	(181,300)
Foreign exchange translation impact [1]	14,067	334	(310)
Effect of fair value hedge adjustment	10,468	7,401	5,222
Net effect of transaction costs and accruals [2]	(1,363)	(351)	222
Balance at end of the period	1,059,385	691,130	976,213
Total debt securities	**1,059,385**	**691,130**	**976,213**

[1] *FX translation impact on Debt issued in USD currency.*

[2] *Comparative information for 30 June 2019 and 31 December 2019 has been reclassified to ensure consistency with current year reporting.*

14. Other liabilities

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Other Liabilities			
Trade creditors and other accrued expenses	487	211	515
Lease liability	838	1,679	1,259
Employee entitlements	2,388	1,219	2,448
Other	-	-	-
Total Other Liabilities	**3,713**	**3,109**	**4,222**

Other information about leases for which the Bank is a lessee is presented below.

(a) Amounts recognised in Profit or loss	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Interest on lease liabilities	16	30	53
Depreciation charge on Right-of-use asset	419	419	838
Expenses relating to short-term leases	-	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-	-
Total amounts recognised in profit or loss	**435**	**449**	**891**
(b) Maturity analysis contracted undiscounted cash flows			
Less than one year	780	879	865
One to five years	70	851	423
More than five years	-	-	-
Total undiscounted lease liabilities	**850**	**1,730**	**1,288**
Lease liabilities included in Other liabilities			
Current	838	849	849
Non-current	-	830	410
Total Lease liabilities included in Other liabilities	**838**	**1,679**	**1,259**
(c) Amounts recognised in the Statement of cash flows			
Total cash outflow for leases	438	418	861

15. Fair Value of Financial Instruments

Classification of financial instruments and estimates of fair value

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

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

The best evidence of fair value is a quoted price in an active market. Wherever possible the Bank determines the fair value of a financial instrument based on the quoted price.

Where no quoted price in an active market is available, the Bank 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 Bank 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

Fair value measurement 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 input

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 Bank's financial instruments are recognised and measured at fair value on a recurring basis within Level 2.

The Bank considers transfers between levels, if any, are deemed to have occurred at the beginning of the reporting period.

There have been no transfers between Level 1 and 2 of the fair value hierarchy during the period ended 30 June 2020 (30 June 2019: nil, 31 December 2019: nil). There have been no transfers into/out of Level 3 during the period ended 30 June 2020 (30 June 2019: nil, 31 December 2019: nil).

(b) Fair value of financial instruments

The following table below compares the fair value of financial instruments with their carrying amounts.

As at 30 Jun 2020 (Unaudited)	At amortised cost $000	At FVOCI $000	At FVTPL $000	Fair value - Derivative instruments $000	Total Carrying amount $000	Fair value $000
Financial assets						
Cash and balances with central banks	59,691	-	-	-	59,691	59,691
Due from other financial institutions	184,033	-	-	-	184,033	184,204
Investment securities	-	33,125	-	-	33,125	33,125
Loans and advances	1,586,303	-	-	-	1,586,303	1,926,744
Due from related parties	2,218	-	-	-	2,218	2,218
Derivative financial assets	-	-	-	48,723	48,723	48,723
Other assets	50	-	-	-	50	50
Total financial assets	**1,832,295**	**33,125**	**-**	**48,723**	**1,914,143**	**2,254,755**
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Deposits from customers	242,404	-	-	-	242,404	244,016
Debt securities issued	1,059,385	-	-	-	1,059,385	1,076,008
Due to related parties	352,079	-	-	-	352,079	352,822
Subordinated Debt	15,086	-	-	-	15,086	16,243
Derivative financial liabilities	-	-	-	12,339	12,339	12,339
Lease liabilities	838	-	-	-	838	838
Total financial liabilities	**1,669,792**	**-**	**-**	**12,339**	**1,682,131**	**1,702,266**
As at 30 Jun 2019 (Unaudited)						
Financial assets						
Cash and balances with central banks	6,844	-	-	-	6,844	6,844
Due from other financial institutions	183,413	-	-	-	183,413	183,417
Investment securities	-	40,248	150,472	-	190,720	190,720
Loans and advances	1,118,018	-	-	-	1,118,018	1,271,437
Due from related parties	1,425	-	-	-	1,425	1,425
Derivative financial assets	-	-	-	38,739	38,739	38,739
Other assets	38	-	-	-	38	38
Total financial assets	**1,309,738**	**40,248**	**150,472**	**38,739**	**1,539,197**	**1,692,620**
Financial liabilities						
Deposits from customers	189,782	-	-	-	189,782	191,112
Debt securities issued	691,130	-	-	-	691,130	712,735
Due to other financial institutions	-	-	-	-	-	-
Due to related parties	261,618	-	152,767	-	414,385	411,118
Subordinated Debt	15,124	-	-	-	15,124	16,881
Derivative financial liabilities	-	-	-	6,922	6,922	6,922
Lease liabilities	1,679	-	-	-	1,679	1,679
Total financial liabilities	**1,159,333**	**-**	**152,767**	**6,922**	**1,319,022**	**1,340,447**

As at 31 Dec 2019 (Audited)	At amortised cost $000	At FVOCI $000	At FVTPL $000	Fair value - Derivative instruments $000	Total Carrying amount $000	Fair value $000
Financial assets						
Cash and balances with central banks	38,161	-	-	-	38,161	38,161
Due from other financial institutions	145,196	-	-	-	145,196	145,196
Investment securities	-	51,596	149,953	-	201,549	201,549
Loans and advances	1,425,054	-	-	-	1,425,054	1,655,228
Due from related parties	15,264	-	-	-	15,264	15,264
Derivative financial assets	-	-	-	33,622	33,622	33,622
Other assets	82	-	-	-	82	82
Total financial assets	**1,623,757**	**51,596**	**149,953**	**33,622**	**1,858,928**	**2,089,102**
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Deposits from customers	238,978	-	-	-	238,978	239,872
Debt securities issued	976,213	-	-	-	976,213	992,287
Due to related parties	228,679	-	153,876	-	382,555	383,672
Subordinated Debt	15,107	-	-	-	15,107	16,433
Derivative financial liabilities	-	-	-	15,961	15,961	15,961
Lease liabilities	1,259	-	-	-	1,259	1,259
Total financial liabilities	**1,460,236**	**-**	**153,876**	**15,961**	**1,630,073**	**1,649,484**

For cash and balances with central banks, due from/to other financial institutions and non-derivative balances due from related parties which are carried at amortised cost and other types of short term financial instruments recognised in the balance sheet under “other assets” and “other liabilities”, the carrying amounts are considered to approximate the fair values. These financial instruments are either short-term in nature, or re-price frequently and are of a high credit rating. A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 22 “Fair Value of Financial Instruments” in the Bank’s full year Disclosure Statement for the year ended 31 December 2019.

16. Related Party Transactions

The Bank is a wholly owned subsidiary of CCB, a company incorporated in China. The Ultimate Parent Bank of the Bank is also CCB. The Ultimate Parent Bank Group refers to the Ultimate Parent Bank and its subsidiaries.

Nature of transactions and balances with related parties

The Bank undertakes transactions with the Ultimate Parent Bank and other members of the Ultimate Parent Bank Group.

These transactions principally consist of funding (interest bearing) and hedging transactions (interest bearing) and the provision of technology and process support. Transactions with related parties are conducted on an arm’s length basis and on normal commercial terms.

Ultimate Parent Bank

The amount due from Ultimate Parent Bank consists of nostro accounts held with the Ultimate Parent Bank, which is reflected as *Cash and liquid assets.* The receivable owed by the Ultimate Parent Bank is reflected below.

The Bank raised NZD $15 million (issuing 15,000 redeemable, subordinated and unsecured medium term notes at a face value of NZD $1,000) from the Sydney Branch of the Ultimate Parent Bank in April 2016. The amount is expected to be settled on 28 April 2023.

The amount due to Ultimate Parent Bank consists of placements and borrowed funds from the Ultimate Parent Bank measured at amortised cost. These placements are reflected as *Deposits and overnights placements* and borrowings are reflected as *Borrowings.* These placements and borrowings are made in the normal course of business and are at arms length. The amount payable to the Ultimate Parent Bank is reflected below.

The amount due from and due to Ultimate Parent Bank also consists of mark to market valuation of all derivative instruments held with the Ultimate Parent Bank, which is reflected as *Derivative financial assets and liabilities* .

Recognised in	30 Jun 2020		30 Jun 2019		31 Dec 2019	
	NZ Branch $000	Ultimate Parent Bank $000	NZ Branch $000	Ultimate Parent Bank $000	NZ Branch $000	Ultimate Parent Bank $000
Statement of Comprehensive Income						
Interest income	-	2,712	-	60	-	2,146
Interest expense	-	(3,672)	-	(5,178)	-	(13,272)
Non-interest income / (expense)						
Management fee income	244	-	3,289	-	4,472	-
Unrealised gain/(loss) on derivatives	-	231	-	1,028	-	(328)
Loss on early redemption of foreign currency borrowing	-	-	-	-	-	-
Gain on early termination of derivatives	-	-	-	-	-	-
Unrealised gain/(loss) on financial liabilities at fair value through profit or loss		32		1,714		1,399
Operating expenses						
Management service expense reimbursement	3,254	-	-	-	2,291	-
Total Profit or Loss impact	**3,498**	**(697)**	**3,289**	**(2,376)**	**6,763**	**(10,055)**
Balance Sheet						
Due from related parties						
Cash and liquid assets	-	2,218	-	641	-	5,246
Loans and advances	-	-	-	-	10,003	-
Other assets	-	-	784	-	-	15
Derivative financial assets	-	26,711	-	25,650	-	21,209
Total Assets	**-**	**28,929**	**784**	**26,291**	**10,003**	**26,470**
Subordinated Debt	-	15,086	-	15,124	-	15,107
Due to related parties						
Deposits and overnights placements	1,719	-	2,756	-	8,049	-
Borrowings at fair value through profit or loss	-	-		152,767		153,876
Borrowings at amortised cost	131,834	218,526	-	258,862	-	220,630
Derivative financial liabilities	-	7,946	-	5,401	-	5,149
Total Liabilities	**133,553**	**241,558**	**2,756**	**432,154**	**8,049**	**394,762**

Transactions and balances with "NZ Branch" are not included in the balances with the "Ultimate Parent Bank".

There were no debts with any related parties written off or forgiven during the six months ended 30 June 2020 (30 June 2019: nil, 31 December 2019: nil).

Provision for impairments on credit exposure of nil have been recognised in respect of the related party assets as at 30 June 2020 (30 June 2019: nil, 31 December 2019: nil).

Risk Management

A. Risk management disclosure

There have been no material changes to the risk management policies and no new categories of risk to which the Bank has become exposed since 31 December 2019.

B. Covid-19 Pandemic

During the first half of 2020, the rapid worldwide spread of COVID-19, and the restrictive measures to control the spread, including travel and trade restrictions, restrictions on public gatherings and business operations, has significantly impacted the global economy and increased downward pressures on New Zealand's economy.

A range of welfare, banking system and fiscal support packages aimed at reducing the severity of the social and economic outcome has already been introduced by governments and regulatory authorities, both in New Zealand and globally. Amongst that, the New Zealand Government and the Reserve Bank of New Zealand have implemented a financial support package for home owners and businesses impacted by the COVID-19 pandemic.

The package includes a loan repayment deferral scheme for residential mortgages and other consumer lending, as well as lending to small to medium sized enterprises, which facilitates the deferral of repayments of up to six month. Whilst the Bank is not part of scheme, the Bank has provided similar options to defer loan repayment or review loan structure to its customers alongside this package.

The growth of the Bank, as well as the general shape and direction of its business in the future, will be affected by the COVID-19 outbreak. The impact of the pandemic on local and international businesses is expected to depend on the effectiveness of its containment, its duration and the implementation of related regulatory policies.

The Bank intends to continue to closely monitor the developments of COVID-19 and actively manage the impact on the Bank's financial position and performance. At the date of this document, this evaluation is a subject of close attention but it is not possible to assess the ultimate impact on the Bank.

As detailed in Note 17, the Bank has adjusted its forward looking view of potential loss outcomes due to the current and prospective deterioration in the economy. For the period ended 30 June 2020 this has resulted in a material increase of $3.6m in the loan impairment provision relative to the equivalent period in 2019.

17. Asset Quality

a) Credit quality information

	FVTPL	Amortised cost			
	Investment securities $000	Residential mortgage loans $000	Corporate exposures $000	Other exposures $000	Total loans and advances $000
As at 30 Jun 2020					
Neither past due nor impaired	-	755,778	840,252	-	**1,596,030**
Past due but not impaired:					**-**
Less than 30 days past due	-	1,244	-	-	**1,244**
At least 30 days but less than 60 days past due	-	-	-	-	**-**
At least 60 days but less than 90 days past due	-	-	-	-	**-**
At least 90 days past due	-	-	-	-	**-**
Total past due but not impaired	**-**	**1,244**	**-**	**-**	**1,244**
Movements in Individually impaired assets					
Balance at beginning of the year	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Amounts written off	-	-	-	-	**-**
Deletions	-	-	-	-	**-**
Total individually impaired assets	-	-	-	-	-
Total gross loans and advances	**-**	**757,022**	**840,252**	**-**	**1,597,274**
Total Provision for impairment losses	-	(6,500)	(3,879)	-	(10,379)
Unearned income	**-**	**-**	**-**	**-**	(1,921)
Loan origination fees	**-**	**-**	**-**	**-**	1,090
Fair value hedge adjustments	**-**	**-**	**-**	**-**	239
Total net loans and advances	**-**	**750,522**	**836,373**	**-**	**1,586,303**

b) Movement in loans and advances

As at 30 Jun 2020	Stage 1 12-month ECL $000	Stage 2 Lifetime 12-month ECL $000	Stage 3 Lifetime 12-month ECL $000	Purchased credit-impaired $000	Total $000
Residential mortgages					
Gross balance as at beginning of year	701,487	-	-	-	**701,487**
Additions	107,174	-	-	-	**107,174**
Amounts written off	-	-	-	-	**-**
Deletions	(51,639)	-	-	-	**(51,639)**
Gross balance as at end of year	**757,022**	**-**	**-**	**-**	**757,022**
Corporate exposures					
Gross balance as at beginning of year	731,083	-	-	-	**731,083**
Additions	1,127,915	-	-	-	**1,127,915**
Amounts written off	-	-	-	-	**-**
Deletions	(1,018,746)	-	-	-	**(1,018,746)**
Gross balance as at end of year	**840,252**	**-**	**-**	**-**	**840,252**
Other exposures					
Gross balance as at beginning of year	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Amounts written off	-	-	-	-	**-**
Deletions	-	-	-	-	**-**
Gross balance as at end of year	**-**	**-**	**-**	**-**	**-**
Total					
Gross balance as at beginning of year	**1,432,570**	**-**	**-**	**-**	**1,432,570**
Additions	**1,235,089**	**-**	**-**	**-**	**1,235,089**
Amounts written off	**-**	**-**	**-**	**-**	**-**
Deletions	**(1,070,385)**	**-**	**-**	**-**	**(1,070,385)**
Gross balance as at end of year	**1,597,274**	**-**	**-**	**-**	**1,597,274**

Due from financial institutions balances (refer to Note 7) were all represented in Stage 1 - 12 months ECL.

c) Movement in provision for impairment losses

As at 30 Jun 2020	Collective Provision 12-months ECL $000	Collective Provision Lifetime ECL Not Credit Impaired $000	Collective Provision Lifetime ECL Credit Impaired $000	Specific Provision Lifetime ECL Credit Impaired $000	Total Provision $000
Residential mortgages					
Balance at beginning of year	4,154	-	-	-	**4,154**
Transferred to collective provision 12-months ECL	-	-	-	-	**-**
Transferred to collective provision lifetime ECL not credit impaired	-	-	-	-	**-**
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	**-**
Transferred to specific provision lifetime ECL credit impaired	-	-	-	-	**-**
Charge to profit or loss excluding transfer between ECL stages	2,726	-	-	-	**2,726**
Amounts written off	-	-	-	-	**-**
Reversals of previously recognised impairment losses	(380)	-	-	-	**(380)**
Recovery of amounts written off	-	-	-	-	**-**
Balance at end of year – Residential mortgages	**6,500**	**-**	**-**	**-**	**6,500**
Corporate exposures					
Balance at beginning of year	2,292	-	-	-	**2,292**
Transferred to collective provision 12-months ECL	-	-	-	-	**-**
Transferred to collective provision lifetime ECL not credit impaired	-	-	-	-	**-**
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	**-**
Transferred to specific provision lifetime ECL credit impaired	-	-	-	-	**-**
Charge to profit or loss excluding transfer between ECL stages	5,888	-	-	-	**5,888**
Amounts written off	-	-	-	-	**-**
Reversals of previously recognised impairment losses	(4,301)	-	-	-	**(4,301)**
Recovery of amounts written off	-	-	-	-	**-**
Balance at end of year – Corporate exposures	**3,879**	**-**	**-**	**-**	**3,879**
Other exposures					
Balance at beginning of year	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision 12-months ECL	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision lifetime ECL not credit impaired	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision lifetime ECL credit impaired	**-**	**-**	**-**	**-**	**-**
Transferred to specific provision lifetime ECL credit impaired	**-**	**-**	**-**	**-**	**-**
Charge to profit or loss excluding transfer between ECL stages	**-**	**-**	**-**	**-**	**-**
Amounts written off	**-**	**-**	**-**	**-**	**-**
Reversals of previously recognised impairment losses	**-**	**-**	**-**	**-**	**-**
Recovery of amounts written off	**-**	**-**	**-**	**-**	**-**
Balance at end of year – Other exposures	**-**	**-**	**-**	**-**	**-**
Total					
Balance at beginning of year	**6,446**	**-**	**-**	**-**	**6,446**
Transferred to collective provision 12-months ECL	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision lifetime ECL not credit impaired	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision lifetime ECL credit impaired	**-**	**-**	**-**	**-**	**-**
Transferred to specific provision lifetime ECL credit impaired	**-**	**-**	**-**	**-**	**-**
Charge to profit or loss excluding transfer between ECL stages	**8,614**	**-**	**-**	**-**	**8,614**
Amounts written off	**-**	**-**	**-**	**-**	**-**
Reversals of previously recognised impairment losses	**(4,681)**	**-**	**-**	**-**	**(4,681)**
Recovery of amounts written off	**-**	**-**	**-**	**-**	**-**
Total provision for impairment losses at the end of year for loans and advances	**10,379**	**-**	**-**	**-**	**10,379**

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.

There was no transfer of collective provision for 'Due from financial institutions' between the stages. The total provision of $10,000 (30 June 2019: $20,000) (31 December 2019: $8,000) (refer Note 7) was represented in 'Collective provision 12-months ECL' during the period.

COVID-19 has had a significant impact on global and domestic economies. The Bank has adjusted its forward-looking view of potential loss outcomes due to the current and prospective deterioration in the economy, thus resulting in an increase in the provision.

18. Concentration of Credit Exposures

Concentrations of credit exposures arise where the Bank is exposed to risk in industries of a similar nature or in particular geographies. The following table presents the Bank's concentrations of credit exposures reported by industry and geographic area.

Australian and New Zealand Standard Industrial Classifications ("ANZSIC") have been used as the basis for disclosing industry sectors.

	On-balance sheet credit exposures			Off-balance sheet credit related commitments		
As at	30 Jun 2020 $000	30 Jun 2019 $000	31 Dec 2019 $000	30 Jun 2020 $000	30 Jun 2019 $000	31 Dec 2019 $000
Industry sector						
Agriculture, Forestry and Fishing	4,589	16,294	8,050	89	1,179	3,747
Mining	-	-	-	-	-	-
Manufacturing	130,709	28,711	51,183	-	-	-
Electricity, gas, water and waste services	63,422	52,544	58,324	4,232	15,583	9,436
Construction	199,602	231,625	179,246	121,156	144,197	133,987
Retail trade	-	-	-	144	295	144
Wholesale trade	-	-	10,078	-	-	207
Accommodation and food services	5,008	2,717	2,667	-	-	-
Health care and social assistance	11,171	-	9,776	3,832	-	5,318
Transport, postal and warehousing	-	-	-	-	-	-
Information media and telecommunications	93,183	6,293	95,430	-	-	-
Financial and insurance services [1]	241,484	250,859	200,592	-	6,362	-
Rental, hiring and real estate services	332,564	118,096	316,200	12,243	1,543	18,843
Arts and Recreation Services	-	-	-	-	-	-
Professional, scientific and technical services	4	404	129	-	-	-
Public administration and safety [1]	86,316	170,302	233,208	28,497	28,497	28,497
Local government administration	-	-	-	-	-	-
Personal lending	757,022	666,565	701,487	77,474	42,687	62,285
Subtotal	**1,925,074**	**1,544,410**	**1,866,370**	**247,667**	**240,343**	**262,464**
Unearned income	(1,921)	(2,490)	(2,411)	-	-	
Loan origination fees	1,090	1,127	904	-	-	
Fair value hedge adjustments	239	1,039	437	-	-	
Provisions for impairment losses	(10,389)	(4,927)	(6,454)	-	-	
Total credit exposures	**1,914,093**	**1,539,159**	**1,858,846**	**247,667**	**240,343**	**262,464**
Geographical area [2]						
New Zealand	1,914,093	817,864	1,210,576	247,667	233,981	262,464
Overseas	-	721,295	648,270	-	6,362	-
Total credit exposures	**1,914,093**	**1,539,159**	**1,858,846**	**247,667**	**240,343**	**262,464**

[1] *Comparative information for 30 June 2019 has been reclassified to ensure consistency with current year reporting.*

[2] *Geographic area classification is based on customers' tax residency status.*

Concentration of credit exposure to individual counterparties

Concentrations of credit exposures are disclosed on the basis of actual exposures. Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties exclude exposures to connected persons, to the central government or central bank of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent.

The number of individual bank counterparties which are not members of a group of closely related counterparties, or groups of closely related counterparties of which a bank is the parent, to which the Bank has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's Common Equity Tier 1 capital:

The number of individual non-bank counterparties (which are not members of a group of closely related counterparties), and groups of closely related counterparties of which a bank is not the parent, to which the Bank has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's Common Equity Tier 1 capital:

The peak end-of-day exposure aggregate credit exposure to an individual counterparty or a group of closely related counterparties has been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure for the relevant six months period ended 30 June 2020 and then dividing that by the Bank's Common Equity Tier 1 capital as at the reporting date for the disclosure statement.

As at 30 June 2020								
	Number of Bank Counterparties				Number of Non-Bank Counterparties			
% of Common Equity Tier 1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
As at Balance date								
10% - 14%	-	-	-	**-**	1	-	5	**6**
15% - 19%	1	-	-	**1**	-	-	2	**2**
20% - 24%	1	-	-	**1**	-	-	2	**2**
25% - 29%	-	-	-	**-**	-	-	-	**-**
30% - 34%	-	-	-	**-**	-	-	-	**-**
35% - 39%	-	-	-	**-**	-	-	-	**-**
40% - 44%	1	-	-	**1**	-	-	1	**1**
45% - 49%	-	-	-	**-**	-	-	1	**1**
55% - 59%	-	-	-	**-**	-	-	-	**-**
65% - 69%	-	-	-	**-**	-	-	-	**-**
Total	**3**	**-**	**-**	**3**	**1**	**-**	**11**	**12**
Peak exposure								
10% - 14%	-	1	-	**1**	1	-	6	**7**
15% - 19%	-	-	-	**-**	-	-	2	**2**
20% - 24%	2	-	-	**2**	-	-	2	**2**
25% - 29%	2	-	-	**2**	-	-	-	**-**
30% - 34%	1	-	-	**1**	-	-	-	**-**
35% - 39%	-	-	-	**-**	-	-	-	**-**
40% - 44%	1	-	-	**1**	-	-	1	**1**
45% - 49%	-	-	-	**-**	-	-	1	**1**
55% - 59%	-	-	-	**-**	-	-	-	**-**
65% - 69%	-	-	-	**-**	-	-	-	**-**
Total	**6**	**1**	**-**	**7**	**1**	**-**	**12**	**13**

As at 30 June 2019 (Unaudited)								
As at Balance date								
10% - 14%	-	-	-	**-**	1	-	6	**7**
15% - 19%	1	-	-	**1**	-	-	1	**1**
20% - 24%	-	-	-	**-**	-	-	-	**-**
25% - 29%	-	1	-	**1**	-	-	1	**1**
30% - 34%	-	-	-	**-**	-	-	-	**-**
35% - 39%	1	-	-	**1**	-	-	-	**-**
40% - 44%	-	-	-	**-**	-	-	-	**-**
45% - 49%	-	-	-	**-**	-	-	1	**1**
50% - 54%	-	-	-	**-**	-	-	-	**-**
Total	**2**	**1**	-	**3**	**1**	**-**	**9**	**10**
Peak exposure								
10% - 14%	1	-	-	**1**	1	-	6	**7**
15% - 19%	-	-	-	**-**	-	-	1	**1**
20% - 24%	-	-	-	**-**	-	-	-	**-**
25% - 29%	1	-	-	**1**	-	-	1	**1**
30% - 34%	-	1	-	**1**	-	-	-	**-**
35% - 39%	-	-	-	**-**	-	-	-	**-**
40% - 44%	-	-	-	**-**	-	-	-	**-**
45% - 49%	-	-	-	**-**	-	-	1	**1**
50% - 54%	-	-	-	**-**	-	-	-	**-**
55% - 59%	2	-	-	**2**	-	-	-	
65% - 69%	-	2	-	**2**	-	-	-	
Total	**4**	**3**	**-**	**7**	**1**	**-**	**9**	**10**

	As at 31 December 2019							
	Number of Bank Counterparties				Number of Non-Bank Counterparties			
% of Common Equity Tier 1 Capital	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**
As at Balance date								
10% - 14%	-	-	-	**-**	1	-	6	**7**
15% - 19%	-	-	-	**-**	-	-	2	**2**
20% - 24%	2	-	-	**2**	-	-	2	**2**
25% - 29%	-	-	-	**-**	-	-	-	**-**
30% - 34%	-	-	-	**-**	-	-	-	**-**
35% - 39%	-	-	-	**-**	-	-	-	**-**
40% - 44%	-	-	-	**-**	-	-	1	**1**
45% - 49%	-	-	-	**-**	-	-	1	**1**
55% - 59%	-	-	-	**-**	-	-	-	**-**
65% - 69%	-	-	-	**-**	-	-	-	**-**
Total	**2**	**-**	**-**	**2**	**1**	**-**	**12**	**13**
Peak exposure								
10% - 14%	1	1	-	**2**	1	-	8	**9**
15% - 19%	1	-	-	**1**	-	-	2	**2**
20% - 24%	2	-	-	**2**	-	-	2	**2**
25% - 29%	-	-	-	**-**	-	-	1	**1**
30% - 34%	1	-	-	**1**	-	-	-	**-**
35% - 39%	-	1	-	**1**	-	-	-	**-**
40% - 44%	-	-	-	**-**	-	-	1	**1**
45% - 49%	-	-	-	**-**	-	-	1	**1**
55% - 59%	-	-	-	**-**	-	-	-	**-**
65% - 69%	-	-	-	**-**	-	-	-	**-**
Total	**5**	**2**	**-**	**7**	**1**	**-**	**15**	**16**

Notes:
"A" Rated - those counterparties that have a long-term credit rating of A- or A3 or above, or its equivalent
"B" Rated - those counterparties that have a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent.
Unrated - those counterparties that have a long-term credit rating lower than BBB- or Baa3, or its equivalent and those counterparties that do not have a long-term credit rating.

19. Concentration of Funding

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

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

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Total funding comprises			
Due to other financial institutions	-	-	-
Deposits from customers	242,404	189,782	238,978
Debt securities issued	1,059,385	691,130	976,213
Due to related parties	352,079	414,385	382,555
Subordinated debt	15,086	15,124	15,107
Total funding	**1,668,954**	**1,310,421**	**1,612,853**
Concentration of funding by industry sector			
Accommodation and food services	-	1	-
Agriculture, forestry and fishing	1,007	313	7,753
Mining	-	-	-
Construction	16,392	4,830	16,209
Electricity, gas, water and waste services	-	-	-
Financial and insurance services	1,190,545	820,364	1,111,074
Households	22,265	4,604	21,102
Manufacturing	1,563	120	2,123
Local government administration	-	-	-
Public administration and safety	-	-	-
Rental, hiring and real estate services	7,127	3,490	9,952
Retail trade	170	6,513	231
Transport, postal and warehousing	30,096	11,979	20,038
Wholesale trade	9,881	218	1,886
Other	22,743	28,480	24,823
Subtotal	**1,301,789**	**880,912**	**1,215,191**
Due to related parties (including Subordinated debt)	367,165	429,509	397,662
Total funding	**1,668,954**	**1,310,421**	**1,612,853**
Concentration of funding by geographical areas [1]			
New Zealand	1,412,882	855,191	1,198,438
China	222,670	374,280	393,136
Australia	30,666	52,484	15,107
Rest of Overseas	2,736	28,466	6,172
Total funding	**1,668,954**	**1,310,421**	**1,612,853**

[1] *The geographic area used for debt securities issued is based on the nature of the debt programmes.*

20. Liquidity and Funding Risk Management

(a) Liquidity portfolio management

The Bank held the following financial assets for the purpose of managing liquidity risk:

As at	Note	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Cash and cash equivalents:				
Cash and balances with central banks	6	59,691	6,844	38,161
Due from other financial institutions (call or original maturity of 3 months or less)[1]		163,904	118,121	145,196
Due from related parties[2]	16	2,218	641	5,246
Total Cash and cash equivalent		**225,813**	**125,606**	**188,603**
Investment securities				
Government securities	8	-	-	149,953
Registered bank securities (net of provision)	8	6,500	27,262	-
RBNZ Bills	8	-	12,986	-
Total liquidity portfolio		**232,313**	**165,854**	**338,556**

[1] *Due from other financial institutions includes Nostro accounts and short-term placements held with Other financial institutions.*

[2] *Due from related parties includes Nostro account balance held with the Ultimate Parent Bank.*

(b) Contractual maturity analysis of financial liabilities

The table below presents the Bank'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 Bank 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 Bank 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 Bank does not manage its liquidity risk based on the analysis presented in the table below:

As at 30 June 2020 Unaudited	On Demand $000	Up to 3 months $000	Over 3 months & up to 1 year $000	Over 1 year & up to 5 years $000	Over 5 years $000	Total $000	Carrying Amount $000
Non derivative financial liabilities							
Deposits from customers	56,746	84,560	102,102	704	-	244,112	242,404
Debt securities issued	-	156,753	125,022	798,112	-	1,079,887	1,059,385
Due to related parties	1,719	163,291	187,981	-	-	352,991	352,079
Subordinated Debt	-	107	356	15,783	-	16,246	15,086
Lease liabilities	-	216	564	70	-	850	838
Total non-derivative financial liabilities	**58,465**	**404,927**	**416,025**	**814,669**	**-**	**1,694,085**	**1,669,792**
Derivative financial liabilities							
Net settled	-	-	225	7,995	-	8,220	
Gross settled – cash inflow	-	(90,066)	(1,773)	(159,804)	-	(251,643)	
Gross settled – cash outflow	-	92,036	3,960	160,955	-	256,951	
Total derivative financial liabilities	**-**	**1,970**	**2,412**	**9,146**	**-**	**13,528**	**12,339**

(c) Regulatory Liquidity Ratios

The following table shows the average regulatory liquidity ratios over the three-month period ended on 30 June 2020 and the three month period ended on 31 March 2020.

As at	Reserve Bank minimum ratio requirements	Unaudited 30 Jun 2020 %	Unaudited 31 Mar 2020 %
Liquidity ratios			
The one-week mismatch ratio	0%	9.4%	9.6%
The one-month mismatch ratio	0%	9.5%	12.3%
The core funding ratio[1]	50%	78.7%	86.0%

[1] *Changes to the Bank's conditions of registration, effective from 2 April 2020, reduced the core funding ratio to 50% from 75%.*

The average value of a ratio was calculated at the close of each working day in the relevant three-month period in accordance with the Conditions of Registration of the Bank relating to liquidity risk-management, and calculating the arithmetic average of all of the daily ratio figures.

21. Market Risk Management

(a) Interest rate risk

Interest rate risk is the risk of loss in earnings or in the 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 Bank'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 banking book. The Bank 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 net interest income (NII) outcomes. NII is modelled using a 1 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 with management ensuring positions remain within prescribed management limits. Additional stressed interest rate scenarios are also considered and modelled.

(b) Interest rate repricing gap analysis

The following table presents the Bank's assets and liabilities at their carrying amounts as at 30 June 2020, 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 Bank's exposure to interest rate movements, are included under the heading "Non-interest bearing".

As at 30 June 2020 Unaudited	0-3 months $000	3-6 months $000	6-12 months $000	1-2 years $000	Over 2 years $000	Non-interest bearing $000	Total $000
Financial assets							
Cash and balances with central banks	59,691	-	-	-	-	-	59,691
Due from other financial institutions	163,848	20,000	-	-	-	185	184,033
Investment securities	6,709	-	-	20,818	5,318	280	33,125
Derivative financial assets	-	-	-	-	-	48,723	48,723
Loans and advances	825,182	200,875	353,671	157,807	57,210	(8,442)	1,586,303
Due from related parties	2,218	-	-	-	-	-	2,218
Total financial assets	**1,057,648**	**220,875**	**353,671**	**178,625**	**62,528**	**40,746**	**1,914,093**
Non-financial assets	-	-	-	-	-	4,905	4,905
Total assets	**1,057,648**	**220,875**	**353,671**	**178,625**	**62,528**	**45,651**	**1,918,998**
Financial liabilities							
Derivative financial liabilities	-	-	-	-	-	12,339	12,339
Deposits from customers	140,851	22,602	76,924	670	-	1,357	242,404
Debt securities issued	555,214	21,419	89,042	-	370,324	23,386	1,059,385
Due to related parties	258,085	46,700	46,700	-	-	594	352,079
Subordinated debt	15,000	-	-	-	-	86	15,086
Total financial liabilities	**969,150**	**90,721**	**212,666**	**670**	**370,324**	**37,762**	**1,681,293**
Non-financial liabilities						4,779	4,779
Total liabilities	**969,150**	**90,721**	**212,666**	**670**	**370,324**	**42,541**	**1,686,072**
On-balance sheet interest rate repricing gap	**88,498**	**130,154**	**141,005**	**177,955**	**(307,796)**	**3,110**	**232,926**
Net derivative notional amount	(390,257)	30,257	-	-	360,000	-	-
Net interest rate repricing gap	**(301,759)**	**160,411**	**141,005**	**177,955**	**52,204**	**3,110**	**232,926**

22. Capital Adequacy

The Bank is subject to the capital adequacy requirements for registered banks as specified by the Reserve Bank. The Reserve Bank has set minimum regulatory capital requirements through the Capital Adequacy Framework (Internal Models Based Approach, BS2B) and Capital Adequacy Framework (Standardised Approach, BS2A) 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 the Bank.

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 One covers the capital requirements for banks for credit, operational and market risks. Pillar Two covers all other material risks not already included in Pillar One, and Pillar Three relates to market disclosure. Other than for Operational Risk, the Bank applies the Reserve Bank's BS2A Capital Adequacy Framework (Standardised Approach) for calculating regulatory capital requirements. The Bank currently applies 10% of its total weighted exposures as its operational risk regulatory capital requirements, as required by the Reserve Bank, due to insufficient historical observation points from the length of time in operation.

The Basel III standards for bank capital distinguish between Tier 1 and Tier 2 capital. Tier 1 capital is permanently and freely available to absorb losses without the bank being obliged to cease trading, while Tier 2 capital generally only absorbs losses in a winding up. Within Tier 1 capital, Common Equity (CET 1) has greater loss absorbing capability than the other Tier 1 instruments referred to as Additional Tier 1 (AT 1) capital. Common Equity and Additional Tier 1 capital primarily consists of shareholders' equity and other capital instruments acceptable to the Reserve Bank less intangible and deferred tax assets and other prescribed deductions. Tier 2 can comprise other capital instruments acceptable to the Reserve Bank.

Capital ratios are used to define minimum capital requirements for each of: Common Equity (CET1), Tier 1 capital (CET1 plus AT1), and Total capital (Tier 1 plus Tier 2), as a percentage of risk-weighted assets calculated in accordance with the Reserve Bank document BS2A Capital Adequacy Framework (Standardised Approach).

As a condition of registration, the Bank must comply with the following minimum requirements set by the Reserve Bank:

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

During the reporting period, the Bank has complied with all the RBNZ minimum capital ratios to which it is subject to.
In addition to the minimum capital requirements, BS2A prescribes a capital conservation buffer of 2.5% above the minimum CET1 capital ratio requirement. Prior to 2nd April 2020, there were restrictions on capital distributions in increasing steps once the buffer ratio was below 2.5%. This was replaced by a complete ban on distributions regardless of the size of the buffer ratio from 2nd April 2020.

The RBNZ released its final decisions on capital requirements applicable to New Zealand registered banks on 5th December 2019. Due to the COVID-19 pandemic, the RBNZ has delayed the start date for the increased capital requirements by 12 months to support credit availability, with further delays possible if the conditions warrant it at the end of the 12 months. The revised framework requires the Bank, as a standardised registered bank, to increase its Total Capital Ratio to 16% over a seven year period starting from the revised start date of 1 July 2021.

The Bank's Total Capital Ratio was 15.76% as at 30th June 2020. It does not expect the revised Framework to result in any changes to the underlying business model or its approach to raising equity.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the regulatory capital requirements set by the Reserve Bank 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 Board has ultimate responsibility for ensuring that the Bank has adequate overall capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum to reduce the risk of breaching its conditions of registration. The Bank actively monitors its capital adequacy as part of the Bank's Internal Capital Adequacy Assessment Process ("ICAAP"), which complies with the requirements set out in the Reserve Bank document BS12 Guidelines on Internal Capital Adequacy Assessment Process (ICAAP), and reports this on a regular basis to senior management and the Board.

The Bank's ICAAP is a documented process that evaluates all material risk types and estimates and ensure appropriate level of capital are held against these key risks, including the impacts of adverse economic scenarios and future strategic requirements. The Bank's ICAAP is reviewed and approved at least annually by senior management and the Board.

The Bank manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders, return/issue capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes during the year ended 30 June 2020. There were no significant capital initiatives undertaken during the year ended 30 June 2020.

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital, risk-weighted assets and the capital adequacy ratios for the Bank as at 30 June 2020. During the year, the Bank complied in full with all externally imposed Reserve Bank capital requirements as set out in the Bank's conditions of registration.

Capital

The table below shows the qualifying capital for the Bank.

Regulatory Capital	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Tier 1 Capital			
Common Equity Tier 1 capital			
Issued and fully paid-up ordinary share capital	199,178	199,178	199,178
Retained earnings (net of appropriations)	33,569	23,174	28,868
Accumulated other comprehensive income and other disclosed reserves [1]	179	(86)	(389)
Less deductions from Common Equity Tier 1 capital			
Intangible assets	60	104	80
Cash flow hedge reserve	(30)	(84)	(337)
Deferred tax assets	3,587	1,990	2,621
Total Common Equity Tier 1 capital	**229,309**	**220,256**	**225,293**
Additional Tier 1 capital	-	-	-
Total Additional Tier 1 capital	-	-	-
Total Tier 1 capital	**229,309**	**220,256**	**225,293**
Tier 2 capital			
Subordinated notes	9,000	12,000	12,000
Less deductions from Tier 2 capital			
Allowance for tax under BS2A	-	-	-
Total Tier 2 capital	**9,000**	12,000	12,000
Total capital	**238,309**	**232,256**	**237,293**

[1] *Accumulated other comprehensive income and other disclosed reserves consist of FVOCI revaluation reserve of 209,000) and cash flow hedge reserve of ($30,000).*

Capital instruments

Ordinary shares

In accordance with the Reserve Bank document BS2A Capital Adequacy Framework (Standardised Approach), ordinary share capital is classified as Common Equity Tier 1 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.

Subordinated notes

On 28 April 2016, the Bank issued $15 million (15,000 subordinated and unsecured medium term notes at a face value of $1,000.00 “the Notes”) to the Sydney Branch of the Ultimate Parent Bank. The Notes will mature on 28 April 2023. The Notes are redeemable, subordinated and unsecured securities of the Bank. The Notes are subordinated to the claims of depositors and other unsubordinated creditors of the Bank and qualify for Tier 2 regulatory recognition subject to the allowance for tax in accordance with section 10f(5), of subpart 2F under BS2A.

The Bank obtained relief from the allowance for tax in accordance with section 10f(5), of subpart 2F in BS2A in recognising the full face value of the Tier 2 instrument for regulatory capital purposes effective 30 June 2018 following amendment to the Income Tax Act 2007. The Bank may redeem all the Notes on any interest payment date, subject to certain conditions including the Reserve Bank’s written approval (“Redemption of Term Subordinated Notes”). Early redemption of all but not some of the Notes for tax reasons or regulatory reasons is permitted subject to Redemption of Term Subordinated Notes.

The Notes bear interest at a rate based on the 3-month Bank Bill Rate plus a fixed margin of 3.00% per annum. Interest is payable quarterly in arrears and commenced on 28th July 2016.

This instrument is subject to phase-out from Tier 2 in accordance with BS2A. The phase-out will be over five consecutive years, with the amount of the instrument qualifying as Tier 2 capital reducing by 20% each year commencing on 29 April 2019 to maturity being 28 April 2023.

If a Non-Viability Trigger Event occurs, the Bank must apply the conditions of (“Write-off”). A Non-Viability Trigger Event occurs if:

a) the Reserve Bank has reasonable grounds to believe that the Bank meets any of the grounds of section 113(a) to (e) of the Reserve Bank Act 1989 requiring the Bank to write off (in whole or in part) a class of capital instrument that includes the Notes; or

b) the Bank is subject to statutory management and the statutory manager decides to write off the Notes (in whole or in part).

Credit risk

a) On-balance sheet exposures

As at 30 June 2020 (Unaudited)	Total exposure after credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	59,691	0%	-	-
Multilateral development banks and other international organisation	26,625	-	-	-
Public sector entities	-	-	-	-
Banks - 20% weighting	156,071	20%	31,214	2,497
Banks - 50% weighting	36,680	50%	18,340	1,467
Banks - 100% weighting	-	100%	-	-
Corporate-without recognised mitigation	836,373	100%	836,373	66,910
Residential mortgages (owner occupied) not past due-LVR up to 80%	419,827	35%	146,939	11,755
Residential mortgages (investment) not past due-LVR up to 80%	330,695	40%	132,278	10,582
Past due residential mortgages	-	-	-	-
Other Lending	3,250	100%	3,250	260
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	1,258	100%	1,258	101
Non-risk weighted assets	48,528	-	-	-
Total on-balance sheet exposures	**1,918,998**		**1,169,652**	**93,572**

(b) Off-balance sheet exposures and market related contracts

As at 30 June 2020 (Unaudited)	Total exposure $000	Credit conversion factor $000	Credit equivalent amount $000	Average risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Direct credit substitute	89	100%	89	0%	-	-
Revolving underwriting facility	53,587	50%	26,794	57%	15,400	1,232
Performance-related contingency	4,893	50%	2,447	97%	2,374	190
Other commitments where original maturity is more than one year	111,602	50%	55,801	100%	55,801	4,464
Other commitments where original maturity is less than or equal to one year	77,474	20%	15,495	38%	5,822	466
Market related contracts [1]						
(a) Foreign exchange contracts	663,706	NA	38,697	44%	17,027	1,362
(b) Interest rate contracts (exposure more than 1 yeaı	714,059	NA	33,796	63%	21,291	1,703
(c) Credit valuation adjustment					23,964	1,917
Total off-balance sheet exposures	**1,625,410**		**173,119**		**141,679**	**11,334**

[1] The credit equivalent amount for market related contracts was calculated using the current exposure method under BS2A and the Bank uses the simple approach for credit risk mitigation with regards to measurement of fair value of collaterals.

Additional mortgage information

Residential mortgages by loan-to-valuation ratio

As at 30 June 2020 (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan-to-valuation ratio				
On-balance sheet exposures				
Residential mortgages - Owner occupied	419,827	-	-	419,827
Residential mortgages - Investment	330,695	-	-	330,695
Total On-balance sheet exposures	**750,522**	**-**	**-**	**750,522**
Off-balance sheet exposures	77,474	-	-	77,474
Value of exposures	**827,996**	**-**	**-**	**827,996**

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

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

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

Reconciliation of residential mortgage-related amount

As at 30 June 2020 (Unaudited)	Note	$000
Total Residential mortgages	**9**	757,022
Reconciling items:		
Less: - Provision for impairment losses on credit exposures	17 (a)	(6,500)
On-balance sheet exposures	17 (a)	**750,522**
Off-balance sheet exposures		**77,474**
Total Residential mortgages exposures		**827,996**

Credit risk mitigation

As at 30 June 2020 (Unaudited)	Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting) $000	Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives $000
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	89	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	**89**	-

Operational risk

As at 30 June 2020 (Unaudited)	Implied weighted exposure $000	Total operational risk capital $000
Operational risk	151,230	12,098

Market risk

As at 30 June 2020 (Unaudited)	End-period capital charges		Peak end-of-day capital charge	
	Implied risk weighted exposure $000	Aggregate capital charge $000	Implied risk weighted exposure $000	Aggregate capital charge $000
Interest rate risk	47,046	3,764	69,430	5,554
Foreign currency risk	2,694	216	3,455	276
Equity risk	-	-	-	-
Total	**49,740**	**3,980**	**72,885**	**5,830**

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the 6 month period ended 30 June 2020 of the aggregate capital charge at the close of each business day derived in accordance with Part 10 of the Reserve Bank document BS2A Capital Adequacy Framework (Standardised Approach).

Total capital requirements

As at 30 June 2020 (Unaudited)	Total exposure after credit risk mitigation $000	Risk weighted exposure or implied risk weighted exposure $000	Total capital requirement $000
Total credit risk + equity	2,092,117	1,311,331	104,906
Operational risk	n/a	151,230	12,098
Market risk	n/a	49,740	3,979
Total	**2,092,117**	**1,512,301**	**120,983**

Capital requirements for other material risks

The Basel III capital adequacy regime intends to ensure that banks have adequate capital to support all material risks inherent in their business activities. Consequently, the Bank's ICAAP captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements. These other material risks for the Bank include liquidity and funding risk, strategic and business risk, and reputational risk.

The Bank's internal capital allocation for other material risks for the six months ended 30 June 2020 is $53.1 million (30 June 2019: $44.4 million) (31 December 2019: $53.1 million). Since the registration of the Bank, the Board has included an extra 2% capital buffer to cover these risks taking the total capital ratio to a minimum of 12.5%.

Capital ratios of the Bank

As at	Unaudited 30 Jun 2020 %	Unaudited 30 Jun 2019 %	Unaudited 31 Dec 2019 %
Capital adequacy ratios			
Common Equity Tier 1 capital ratio	15.16%	20.72%	16.30%
Tier 1 capital ratio	15.16%	20.72%	16.30%
Total capital ratio	15.76%	21.85%	17.17%
Reserve Bank minimum ratio requirements			
Common Equity Tier 1 capital ratio	4.50%	4.50%	4.50%
Tier 1 capital ratio	6.00%	6.00%	6.00%
Total capital ratio	8.00%	8.00%	8.00%
Buffer ratio			
Buffer ratio	7.76%	13.85%	9.17%
Buffer ratio requirement	2.50%	2.50%	2.50%

Capital adequacy of Ultimate Parent Bank Group and Ultimate Parent Bank

The Ultimate Parent Bank of the Bank is CCB. The Ultimate Parent Bank Group comprises the Ultimate Parent Bank and its subsidiaries.

From 1 January 2013, in accordance with the China Banking and Insurance Regulatory Commission's ("CBIRC") "Measures for Capital Management of Commercial Banks (Trial)" and relevant regulations, commercial banks should meet the minimum capital requirements of Common Equity Tier 1 ratio at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%, in addition to a 2.5% buffer ratio and 1.5% additional capital requirement for global systemically important banks, the additional requirement is for Common Equity Tier 1. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

On 2 April 2014, CBIRC had officially approved the implementation of the advanced approach of capital management by the Overseas Bank. In this approach, the Overseas Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure in the calculation of the relevant capital charges.

Both the Overseas Bank and the Overseas Banking Group are required to hold minimum capital and disclose capital adequacy ratios in accordance with both the Capital Rules for Commercial Banks (Provisional) (CBRC Order [2012] No. 1) and are required to publicly disclose this capital adequacy information on a quarterly basis. This information is available via the Overseas Bank's website (www.ccb.com).

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBIRC as at 31 March 2020, the latest reporting date.

The capital ratios below have been calculated in accordance with the Capital Rules for Commercial Banks (Provisional), issued by the CBIRC.

As at	Unaudited 31 Mar 2020 %	Unaudited 30 Jun 2019 %	Unaudited 31 Dec 2019 %
Ultimate Parent Bank Group			
Common Equity Tier 1 capital ratio	13.75%	13.70%	13.88%
Tier 1 capital ratio	14.50%	14.25%	14.68%
Total capital ratio	17.22%	17.06%	17.52%
Ultimate Parent Bank			
Common Equity Tier 1 capital ratio	13.75%	13.47%	13.88%
Tier 1 capital ratio	14.46%	14.00%	14.65%
Total capital ratio	17.32%	16.95%	17.67%

Other Disclosures

23. Insurance Business, Securitisation, Funds Management, other Fiduciary Activities and the Marketing and Distribution of Insurance Products

Insurance

The Bank does not conduct any insurance business.

Securitisation, Funds Management, Other Fiduciary Activities and Marketing and Distribution of Insurance Products

The Bank is also not involved in:
- the establishment, marketing, or sponsorship of trust, custodial, funds management and other fiduciary activities;
- the origination of securitised assets; and the marketing or servicing of securitisation schemes; and
- the marketing and distribution of insurance products.

24. Commitments and Contingent Liabilities

The Bank 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 Bank'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 Bank 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 Bank's operations as at 30 June 2020 were:

As at	Unaudited 30 Jun 2020 $000	Unaudited 30 Jun 2019 $000	Audited 31 Dec 2019 $000
Credit related commitments and contingent liabilities			
Commitments to extend credit	242,684	235,211	257,482
Financial guarantees	89	383	89
Standby letters of credit	-	-	-
Trade letters of credit	-	-	-
Non-financial guarantees	4,894	4,749	4,893
Total Credit related commitments and contingent liabilities	**247,667**	**240,343**	**262,464**

There were no other contingent liabilities and capital commitments as at 30 June 2020 (30 June 2019: nil, 31 December 2019: nil).

25. 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.

Subsequent to 30 June 2020, following an outbreak of Covid-19 community transmission in the Auckland region, the New Zealand Government announced on 11 August 2020 that from midday 12 August 2020, Auckland would return to Covid Alert Level 3 and the rest of New Zealand to Alert Level 2 for three days.
On 14 August 2020, the new Zealand Government further announced that Auckland was to remain at Alert Level 3 for a further 12 days until 11.59pm on 26 August 2020 and the rest of New Zealand to remain at Alert Level 2.
No adjustments have been made to the financial statements as at this time it is not possible to determine the impact, if any, on the Bank.

Abbreviations

ALCO	Asset and Liability committee
ANZSIC	Australia and New Zealand Standard Industrial Classifications
CBIRC	China Banking and Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
CET1	Common Equity Tier 1
ECL	Expected credit loss
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
ICAAP	Internal capital adequacy assessment process
IRB	Internal rating based
LVR	Loan-to-valuation ratio
NII	Net interest income
NZ GAAP	New Zealand Generally Accepted Accounting Principles
IAS	International Accounting Standards
NZ IFRS	New Zealand equivalent to International Financial Reporting Standards
RMB	Chinese Yuan Renminbi
VaR	Value at risk

Independent Review Report
to the Shareholder of China Construction Bank (New Zealand) Limited

We have reviewed pages 8 to 38 of the Disclosure Statement of China Construction Bank (New Zealand) Limited (the “Bank”) for the six month period ended 30 June 2020 which includes the interim financial statements required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 9, 13, 16 and 18 of the Order. The interim financial statements comprise the balance sheet as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the six months then ended, and the notes to the interim financial statements that include the statement of accounting policies and selected explanatory information for the Bank.

This report is made solely to the Bank’s shareholder. Our review has been undertaken so that we might state to the Bank’s shareholder those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder, for our review work, for this report, or for our findings.

Directors’ responsibilities

The Directors of the Bank (the “Directors”) are responsible, on behalf of the Bank, for the preparation and fair presentation of the Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 25 of the Order and for such internal control as the Directors determine is necessary to enable the preparation of the Disclosure Statement that is free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Bank, for including supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 13, 16 and 18 of the Order.

Reviewer’s responsibilities

Our responsibility is to express a conclusion on the interim financial statements and the supplementary information, disclosed in accordance with Clause 25 and Schedules 5, 7, 9, 13, 16 and 18 of the Order, presented by the Directors based on our review.

Our responsibility in relation to the interim financial statements (excluding the supplementary information disclosed in Notes 4, 17 and 18 to 23 and the ‘Interest earning and discount bearing assets’ and ‘Interest and discount bearing liabilities’ disclosed on page 10 (“supplementary information”)) is to express a conclusion as to whether, on the basis of procedures performed by us, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

Our responsibility in relation to the supplementary information (excluding information relating to capital adequacy in Note 22 and the regulatory liquidity ratios disclosed in Note 20) prescribed by Schedules 5, 7, 13, 16 and 18 of the Order is to express a conclusion as to whether, on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state, in all material respects, the matters to which it relates in accordance with those Schedules.

Our responsibility in relation to supplementary information relating to capital adequacy disclosed in Note 22 and regulatory liquidity requirements (being the regulatory liquidity ratios disclosed in Note 20) that is required to be disclosed under Schedule 9 of the Order is to express a conclusion as to whether, on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410: *Review of Financial Statements Performed by the Independent Auditor of the Entity* (“NZ SRE 2410”). As the auditor of the Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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Basis for conclusion

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on any element of this Disclosure Statement.

Other than this review and the audit of the annual Disclosure Statement of the Bank, we have no relationship with, or interest in, the Bank. Partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. These matters have not impaired our independence as auditors of the Bank.

Conclusion

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

- the interim financial statements on pages 8 to 38 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*;
- the supplementary information (excluding information relating to capital adequacy disclosed in Note 22 and the regulatory liquidity ratios disclosed in Note 20) prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state, in all material respects, the matters to which it relates in accordance with those Schedules; and
- the supplementary information relating to capital adequacy (disclosed in Note 22) and regulatory liquidity requirements (being the regulatory liquidity ratios disclosed in Note 20) that is required to be disclosed under Schedule 9 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Ernst + Young

Chartered Accountants
17 August 2020
Auckland