

**China
Construction
Bank
Corporation
New Zealand
Banking
Group**

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

Certain information contained in this Half Year Disclosure Statement for the six month ended 30 June 2020, is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and is in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement:

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

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

Corporate Information

Registered Bank

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

China Construction Bank Corporation
No. 25 Financial Street,
Xicheng District,
Beijing 100033,

The People's Republic of China

Address for Service - Branch:

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

New Zealand

A copy of the NZ Banking Group and the Overseas Banking Group's most recent published financial statements will be made available, free of charge upon a request being made to the above address of the Branch. A copy of the NZ Banking Group's financial statements can also be obtained from the NZ Banking Group's website (<http://nz.ccb.com>).

A copy of the Overseas Banking Group's financial statement can also be obtained from the Overseas Bank's website (<http://en.ccb.com/en/investorv3/interimreports/interim.html?ptId=5&ctId=2>).

Subordination of claims of creditors

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

Requirement to hold excess assets over deposit liabilities

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

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

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

Guarantee Arrangements

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

Limits on Material Financial Support by the Ultimate Parent Bank

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

Directorate

Directors of the Overseas Bank

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

Mr Guoli Tian (Chairman), Mr Guiping Liu, Mr Gengsheng Zhang, Mr Jiandong Xu, Ms Bing Feng, Mr Qi Zhang, Mr Bo Tian, Mr Yang Xia, Ms Anita Yuen Mei Fung, Sir Malcolm Christopher McCarthy, Mr Carl Walter, Mr Kenneth Patrick Chung, Mr Graeme Wheeler and Mr Michel Madelain.

Mr. Michel Madelain was appointed as Independent Director of the Board in January 2020. Mr. Jiandong Xu was appointed as Non-executive Director of the Board in June 2020. Mr Hailin Zhu no longer served as Non-executive Director of the Board in June 2020. Apart from the above, there have been no other changes in the Board since 31 December 2019.

New Zealand Chief Executive Officer of the Branch

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

Credit Ratings of the Overseas Bank

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

Rating Agency	Current credit	Rating outlook
Standard & Poor's Ratings Services	A	Stable
Moody's Investors Service	A1	Stable
Fitch Ratings	A	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 any of the above credit ratings in the two years prior to the signing date of this Disclosure Statement.

In November 2011, Standard & Poor's upgraded the Overseas Bank's long term rating to A from A- and rating outlook to stable from positive. On 28 April 2020, Standard & Poor's affirmed the Overseas Bank's A rating.

In May 2017, Moody's Investors Service affirmed the Overseas Bank's A1 rating with rating outlook revised to stable from negative. On 17 June 2020, Moody's Investors Service affirmed the Overseas Bank's A1 rating.

In November 2007, Fitch upgraded the Overseas Bank's long-term rating to A from A- and rating outlook to stable from positive. On 6 January 2020, Fitch affirmed the Overseas Bank's A rating.

Descriptions of the credit rating scales are as follows:

The following table describes the credit rating grades available:

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.

Pending Proceedings or Arbitration

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

Conditions of Registration

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

There have been no changes to the conditions of registration between 1 January 2020 to 30 June 2020 for the Branch.

Other Material Matters

The Board is of the opinion that there are no material matters relating to the business or affairs of the NZ Banking Group which are not contained elsewhere in this Disclosure Statement and which would, if disclosed in this Disclosure Statement, materially affect the decision of a person to subscribe for debt securities of which the NZ Banking Group 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' and New Zealand Chief Executive Officer's Statements

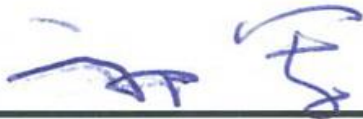
Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that, as at the date on which this Disclosure Statement is signed:

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

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that, for the six months period ended 30 June 2020:

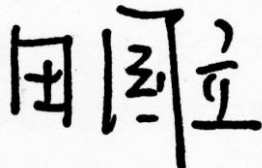
- (a) the Registered Bank has complied with all Conditions of Registration that applied during the year; and
- (b) the Branch and CCBNZL of the Registered Bank had systems in place to monitor and control adequately the material risks of the NZ Banking Group including credit risk, concentration of credit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

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



Mr Jun Qi
Dated: 28 August 2020

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



DIRECTOR - Mr Guoli Tian
Dated: 28 August 2020

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	48,149	47,558	93,339
Interest expense ¹	2	(27,691)	(31,134)	(57,369)
Other interest (expense)/income ¹	2	(19)	(11)	(126)
Net interest income	2	20,439	16,413	35,844
Net non-interest income	3	3,764	5,858	11,077
Total operating income		24,203	22,271	46,921
Operating expenses		(8,835)	(7,622)	(17,156)
Impairment (losses) / write-back on credit exposures	4	(6,060)	(322)	(2,067)
Profit/ (Loss) before income tax		9,308	14,327	27,698
Income tax (expense) / benefit		(2,687)	(4,019)	(7,872)
Profit after income tax attributable to the owner of the NZ Banking Group		6,621	10,308	19,826
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		635	(809)	(1,320)
Total other comprehensive income, net of tax		635	(809)	(1,320)
Total comprehensive income attributable to the owner of the NZ Banking Group		7,256	9,499	18,506

¹ Comparative information for 30 June 2019 and 31 December 2019 has been reclassified to ensure consistency and presentation with current year reporting.

These interim financial statements are to be read in conjunction with the notes on pages 11 - 32.

Statement of Changes in Equity

For the 6 months ended 30 June 2020 (Unaudited)	NZ Banking Group								Total \$000
	NZ Branch				CCBNZL				
	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	
Balance at 01 January 2020	-	6,740	4	-	199,178	28,868	(337)	(52)	234,401
Profit after income tax	-	1,920	-	-	-	4,701	-	-	6,621
Other comprehensive income	-	-	67	-	-	-	307	261	635
Total comprehensive income for the period	-	1,920	67	-	-	4,701	307	261	7,256
Transactions with owners:									
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	-
Balance at 30 June 2020	-	8,660	71	-	199,178	33,569	(30)	209	241,657

For the 6 months ended 30 June 2019 (Unaudited)	NZ Banking Group								Total \$000
	NZ Branch				CCBNZL				
	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	
Balance at 01 January 2019	-	(905)	1,132	-	199,178	16,687	(197)	-	215,895
Profit after income tax	-	3,821	-	-	-	6,487	-	-	10,308
Other comprehensive income	-	-	(920)	-	-	-	113	(2)	(809)
Total comprehensive income for the period	-	3,821	(920)	-	-	6,487	113	(2)	9,499
Transactions with owners:									
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019	-	2,916	212	-	199,178	23,174	(84)	(2)	225,394

For the 12 months ended 31 December 2019 (Audited)	NZ Banking Group								Total \$000
	NZ Branch				CCBNZL				
	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	
Balance at 01 January 2019	-	(905)	1,132	-	199,178	16,687	(197)	-	215,895
Profit after income tax	-	7,645	-	-	-	12,181	-	-	19,826
Other comprehensive income	-	-	(1,128)	-	-	-	(140)	(52)	(1,320)
Total comprehensive income for the period	-	7,645	(1,128)	-	-	12,181	(140)	(52)	18,506
Transactions with owners:									
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019	-	6,740	4	-	199,178	28,868	(337)	(52)	234,401

These interim financial statements are to be read in conjunction with the notes on pages 11 - 32.

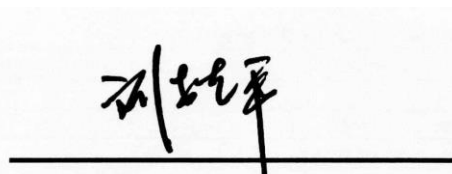
Balance Sheet

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	262,636	183,467	346,354
Investment securities	8	33,125	190,720	201,549
Loans and advances	9	3,016,470	2,064,831	2,304,136
Due from related parties	17	5,215	2,260	116,622
Derivative financial assets	10	59,802	75,298	54,445
Property, plant and equipment	11	1,145	2,240	1,730
Intangible assets		60	104	80
Deferred tax assets		4,718	2,351	3,126
Other assets		332	274	184
Total assets		3,443,194	2,528,389	3,066,387
Liabilities				
Due to other financial institutions	12	634,056	215,121	432,068
Deposits from customers	13	299,854	214,678	312,203
Debt securities issued	14	1,059,385	691,130	976,213
Due to related parties	17	1,123,334	1,144,036	1,051,615
Subordinated debt		15,086	15,124	15,107
Derivative financial liabilities	10	63,758	17,458	35,272
Current tax liabilities		2,328	2,188	5,160
Other liabilities	15	3,736	3,260	4,348
Total liabilities		3,201,537	2,302,995	2,831,986
Head Office account				
Branch capital		-	-	-
Retained earnings/(loss)		8,660	2,916	6,740
Reserves		71	212	4
Total Head Office account		8,731	3,128	6,744
Equity				
Share capital		199,178	199,178	199,178
Retained earnings		33,569	23,174	28,868
Reserves		179	(86)	(389)
Total equity		232,926	222,266	227,657
Total equity attributable to the owner of the NZ Banking Group		241,657	225,394	234,401
Total liabilities and equity		3,443,194	2,528,389	3,066,387
Total interest earning and discount bearing assets		3,387,596	2,451,459	3,011,252
Total interest and discount bearing liabilities		3,102,171	2,256,707	2,764,205

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



DIRECTOR - Mr Guoli Tian
Dated: 28 August 2020



DIRECTOR - Mr Guiping Liu
Dated: 28 August 2020

These interim financial statements are to be read in conjunction with the notes on pages 11 - 32.

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		47,344	47,507	91,666
Interest paid		(7,931)	(6,104)	(12,726)
Income received from financial instruments designated at FVTPL		1,846	1,756	3,329
Non-interest income received		18,040	2,696	37,251
Non-interest expense paid		(395)	(1,151)	(1,069)
Operating expenses paid		(8,347)	(7,836)	(15,168)
Income taxes paid		(7,258)	(6,866)	(8,342)
Net cash flows from operating activities before changes in operating assets and liabilities		43,299	30,002	94,941
Net changes in operating assets and liabilities:				
Net decrease/(increase):				
GST receivable		37	25	(22)
Other assets		(184)	(21)	117
Loans and advances		(718,161)	(134,774)	(374,964)
Due from related parties		102,895	32,301	(71,754)
Net increase/(decrease):				
Due to other financial institutions		201,989	(121,652)	95,295
Deposits from customers		(12,018)	(20,962)	76,874
Net changes in operating assets and liabilities		(425,442)	(245,083)	(274,454)
Net cash flows provided by/ (used in) operating activities	5	(382,143)	(215,081)	(179,513)
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		(162,456)	1,043,005	18,713
Repayments of due to related parties		273,210	(956,103)	(18,720)
Issuance of debt issues	14	155,000	97,834	462,133
Repayments of debt securities	14	(95,000)	(104,000)	(181,300)
Repayment of principal portion of lease liabilities		(438)	(418)	(861)
Interest paid on financing activities		(26,134)	(25,592)	(45,619)
Net cash flows (used in)/ provided by financing activities		144,182	54,726	234,346
Net increase/ (decrease) in cash and cash equivalents		(90,828)	(227,300)	42,504
Cash and cash equivalents at beginning of the year		397,078	354,574	354,574
Cash and cash equivalents at end of the period	21 (a)	306,250	127,274	397,078
Cash and cash equivalents at end of the period comprise:				
Due from other financial institutions (call or original maturity of 3 months or less)	21 (a)	242,508	118,175	346,354
Cash and balances with central banks	21 (a)	59,691	6,844	38,161
Due from related parties (nostro account)	21 (a)	4,051	2,255	12,563
Cash and cash equivalents at end of the period		306,250	127,274	397,078

These interim financial statements are to be read in conjunction with the notes on pages 11 - 32.

Notes to the Financial Statements

1. Statement of Accounting Policies

1.1 Reporting Entity

The reporting entity for the purpose of this Disclosure Statement is the China Construction Bank Corporation New Zealand Branch (the "Branch"). The reporting group is the NZ Banking Group which is an aggregation of the Branch and China Construction Bank (New Zealand) Limited, ("CCBNZL"), a locally incorporated subsidiary of the Overseas Bank whose principal activity is the provision of a range of banking products and services to business, corporate, institutional and retail customers. The basis of aggregation is an addition of the NZ Banking Group entities' individual financial statements. All transactions and balances between entities within the NZ Banking Group have been fully eliminated where they exist.

These financial statements were approved for issue by the Board of Directors of the Overseas Bank (the "Board") on 28 August 2020.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the NZ Banking Group's financial statements for the full year ended 31 December 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 (Overseas 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 NZ Banking Group'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 NZ Banking Group 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	1,459	3,829	5,211
¹ Loans and advances *	45,971	42,893	86,631
¹ Due from related parties	257	276	458
² Investment securities	318	233	481
Total interest income	48,149	47,558	93,339
Interest expense			
³ Due to other financial institutions	(5,077)	(2,751)	(6,218)
³ Deposits and other borrowings	(2,967)	(3,494)	(6,482)
³ Due to related parties **	(9,053)	(13,129)	(23,289)
³ Debt securities issued	(10,578)	(11,730)	(21,327)
³ Lease Liabilities	(16)	(30)	(53)
Total interest expense	(27,691)	(31,134)	(57,369)
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	20,439	16,413	35,844

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).

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

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	4,066	1,910	5,351
Other fee expense	(273)	(95)	(350)
Trade finance and other fee income	318	305	637
Management fee income	-	-	-
Total fee income	4,111	2,120	5,638
Other income (expense)			
Net ineffectiveness on qualifying hedges	141	(230)	(324)
Net gain/(loss) on derivatives	(432)	1,505	3,555
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)	(347)	3,738	5,439
Total net non-interest income	3,764	5,858	11,077

4. Impairment losses on credit exposures

	Due from other financial institutions \$000	Loans and advances			Total impairment loss \$000
		Residential mortgage loans \$000	Corporate exposures \$000	Other exposures \$000	
For the six months ended 30 Jun 2020 (Unaudited)					
Movement in collective provision 12-months ECL	1	2,346	3,663	50	6,060
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	1	2,346	3,663	50	6,060
For the six months ended 30 Jun 2019 (Unaudited)					
Movement in collective provision 12-months ECL	(53)	64	293	18	322
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	(53)	64	293	18	322
For the year ended 31 December 2019 (Audited)					
Movement in collective provision 12-months ECL	(54)	602	1,554	-	2,102
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	(54)	567	1,554	-	2,067

5. Net Cash Flows used in Operating Activities

	Unaudited 30 Jun 2020 \$000	Unaudited 30 Jun 2019 \$000	Audited 31 Dec 2019 \$000
For the six months ended			
Reconciliation of profit after income tax to net cash flows from (used in) operating activities			
Profit after income tax	6,621	10,308	19,826
Adjustments:			
Impairment losses on credit exposures	6,060	322	2,067
Depreciation and amortisation	677	709	1,401
Deduct/(add) items reclassified as financing activities	26,134	25,592	45,619
Income tax expense	(4,571)	(2,847)	(470)
Movement in fair value of financial assets and liabilities	13,881	(4,313)	25,105
Movement in accruals	(5,503)	231	1,393
Net (increase)/decrease in operating assets:			
GST receivable	37	25	(22)
Loans and advances	(718,161)	(134,774)	(374,964)
Due from related parties ¹	102,895	32,301	(71,754)
Other assets	(184)	(21)	117
Net increase/(decrease) in operating liabilities:			
Due to other financial institutions	201,989	(121,652)	95,295
Deposits from customers	(12,018)	(20,962)	76,874
Net cash flow from (used in) operating activities	(382,143)	(215,081)	(179,513)

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	11,806	8,425	110,290
Placements with other financial institutions – term	250,851	175,063	236,084
Provision for impairment losses	(21)	(21)	(20)
Total amount due from other financial institutions	262,636	183,467	346,354

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 is 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	2,264,886	1,383,989	1,613,851
Other exposures ¹	11,168	23,074	-
Total gross loans and advances	3,033,076	2,073,628	2,315,338
Unearned income	(3,805)	(4,834)	(4,528)
Loan origination fees	1,090	1,127	904
Fair value hedge adjustments	384	1,345	638
Loans and advances before provisions for impairment	3,030,745	2,071,266	2,312,352
Provision for impairment losses	(14,275)	(6,435)	(8,216)
Total net loans and advances	3,016,470	2,064,831	2,304,136

¹ Other exposures¹ include loan to related party totalling \$11.2m (refer Note 17).

10. Derivative financial instruments

	As at 30 Jun 2020 (Unaudited)			As at 30 Jun 2019 (Unaudited)		
	Notional Amount	Fair Values Assets	Fair Values Liabilities	Notional Amount	Fair Values Assets	Fair Values Liabilities
	\$000	\$000	\$000	\$000	\$000	\$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	529,942	22,765	(584)	872,221	14,677	(1,450)
Dual fair value and cash flow hedges						
Cross Currency Interest rate swap	554,490	26,517	(2,076)	486,776	21,876	(778)
Economic Hedge						
Cross Currency Interest rate swap	-	-	-	365,726	32,315	-
Forward contracts	986	-	(42)	-	-	-
FX Swaps	1,444,897	1,987	(52,836)	776,640	309	(9,529)
Total derivative financial instruments	2,786,566	59,802	(63,758)	2,724,398	75,298	(17,458)
As at 31 Dec 2019 (Audited)						
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				667,426	13,027	(1,736)
Dual fair value and cash flow hedges						
Cross Currency Interest rate swap				623,551	16,999	(10,250)
Economic Hedge						
Cross Currency Interest rate swap				178,359	17,204	-
Forward contracts				-	-	-
FX Swaps				694,965	1,618	(18,075)
Total derivative financial instruments				2,368,278	54,445	(35,272)

11. Property, plant and equipment

As at	Unaudited	Unaudited	Audited
	30 Jun 2020	30 Jun 2019	31 Dec 2019
	\$000	\$000	\$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. Due to other financial institutions

As at	Unaudited 30 Jun 2020 \$000	Unaudited 30 Jun 2019 \$000	Audited 31 Dec 2019 \$000
Placements from other financial institutions	634,056	215,121	432,068
Transaction balances with other financial institutions	-	-	-
Total amount due to other financial institutions	634,056	215,121	432,068

13. 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	37,612	21,794	31,855
Term deposits ¹			
Retail	19,041	5,162	15,581
Wholesale	218,851	164,613	238,958
Total deposits from customers excluding not bearing interest	298,169	212,351	310,187
Demand deposits not bearing interest	1,685	2,327	2,016
Total deposits from customers	299,854	214,678	312,203

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

14. 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 year	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.

15. 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	510	362	641
Lease liability	838	1,679	1,259
Employee entitlements	2,388	1,219	2,448
Other	-	-	-
Total Other Liabilities	3,736	3,260	4,348

Other information about leases for which the NZ Banking Group 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
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16. Fair Value of Financial Instruments

Classification of financial instruments and estimates of fair value

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

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

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

Where no quoted price in an active market is available, the NZ Banking Group applies present value estimates or other valuation techniques based on current market conditions.

These valuation techniques rely on market observable inputs wherever possible or in a limited number of instances rely on inputs which are unobservable but are reasonable assumptions based on market conditions.

The NZ Banking Group categorises all fair value measurements according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

“Level 1” – Quoted market price

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

“Level 2” – Valuation technique using observable inputs

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

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

This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All of the NZ Banking Group's financial instruments are recognised and measured at fair value on a recurring basis within Level 2. The NZ Banking Group considers if transfers between levels, 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 not measured at fair value

The following table below compares the fair value of financial instruments not measured at fair value with their carrying amounts.

As at 30 June 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	262,636	-	-	-	262,636	262,038
Investment securities	-	33,125	-	-	33,125	33,125
Loans and advances	3,016,470	-	-	-	3,016,470	3,402,463
Due from related parties	5,215	-	-	-	5,215	5,215
Derivative financial assets	-	-	-	59,802	59,802	59,802
Other assets	52	-	-	-	52	52
Total financial assets	3,344,064	33,125	-	-	3,436,991	3,822,386
Financial liabilities						
Due to other financial institutions	634,056	-	-	-	634,056	635,674
Deposits from customers	299,854	-	-	-	299,854	301,764
Debt securities issued	1,059,385	-	-	-	1,059,385	1,076,008
Due to related parties	1,123,334	-	-	-	1,123,334	1,127,310
Subordinated Debt	15,086	-	-	-	15,086	16,243
Derivative financial liabilities	-	-	-	63,758	63,758	63,758
Lease liabilities	838	-	-	-	838	838
Total financial liabilities	3,132,553	-	-	63,758	3,196,311	3,221,595
As at 30 June 2019 (Unaudited)						
Financial assets						
Cash and balances with central banks	6,844	-	-	-	6,844	6,844
Due from other financial institutions	183,467	-	-	-	183,467	183,471
Investment securities	-	40,248	150,472	-	190,720	190,720
Loans and advances	2,064,831	-	-	-	2,064,831	2,242,963
Due from related parties	2,260	-	-	-	2,260	5,795
Derivative financial assets	-	-	-	75,298	75,298	75,298
Other assets	41	-	-	-	41	41
Total financial assets	2,257,443	40,248	150,472	75,298	2,523,461	2,705,132
Financial liabilities						
Deposits from customers	214,678	-	-	-	214,678	216,067
Debt securities issued	691,130	-	-	-	691,130	712,735
Due to other financial institutions	215,121	-	-	-	215,121	215,229
Due to related parties	991,269	-	152,767	-	1,144,036	1,141,569
Subordinated Debt	15,124	-	-	-	15,124	16,881
Derivative financial liabilities	-	-	-	17,458	17,458	17,458
Lease liabilities	1,679	-	-	-	1,679	1,679
Total financial liabilities	2,129,001	-	152,767	17,458	2,299,226	2,321,618

As at 31 December 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	346,354	-	-	-	346,354	346,353
Investment securities	-	51,596	149,953	-	201,549	201,549
Loans and advances	2,304,136	-	-	-	2,304,136	2,561,778
Due from related parties	116,622	-	-	-	116,622	116,622
Derivative financial assets	-	-	-	54,445	54,445	54,445
Other assets	89	-	-	-	89	89
Total financial assets	2,805,362	51,596	149,953	54,445	3,061,356	3,318,997
Financial liabilities						
Due to other financial institutions	432,068	-	-	-	432,068	432,068
Deposits from customers	312,203	-	-	-	312,203	313,000
Debt securities issued	976,213	-	-	-	976,213	992,287
Due to related parties	897,739	-	153,876	-	1,051,615	1,052,728
Subordinated Debt	15,107	-	-	-	15,107	16,433
Derivative financial liabilities	-	-	-	35,272	35,272	35,272
Lease liabilities	1,259	-	-	-	1,259	1,259
Total financial liabilities	2,634,589	-	153,876	35,272	2,823,737	2,843,047

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 23 "Fair Value of Financial Instruments" in the NZ Banking Group's full year Disclosure Statement for the year ended 31 December 2019.

17. Related Party Transactions

During the period ended 30 June 2020, the NZ Banking Group has entered into or had in place various financial transactions with members of the Overseas Banking Group, represented by Ultimate Parent Bank.

Nature of transactions and balances with related parties

The NZ Banking Group undertakes transactions with the Overseas Banking Group.

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

Ultimate Parent Bank

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

The amount due to Ultimate Parent Bank consists of borrowed funds from the Ultimate Parent Bank measured at amortised cost. These borrowings are made in the normal course of business and are at arms-length. The total balance are reflected below.

CCBNZL 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 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	Unaudited 30 Jun 2020 \$000	Unaudited 30 Jun 2019 \$000	Audited 31 Dec 2019 \$000
Statement of Comprehensive Income			
Interest income	3,063	276	2,591
Interest expense	(10,624)	(15,022)	(30,187)
Non-interest income / (expense)			
Management fee income	-	-	-
Unrealised gain/(loss) on derivatives	(10)	2,203	1,923
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	-	-	-
Operating expenses			
Management service expense reimbursement	-	-	-
Total Profit or Loss impact	(7,571)	(12,543)	(25,673)
Balance Sheet			
Due from related parties			
Cash and liquid assets	4,051	2,255	12,563
Loans and advances	11,168	12,112	104,055
Other assets	1,164	5	4
Derivative financial assets	37,134	62,209	42,032
Total Assets	53,517	76,581	158,654
Subordinated Debt	15,086	15,124	15,107
Due to related parties			
Deposits and overnights placements	-	-	-
Borrowings at fair value through profit or loss	-	152,767	153,876
Borrowings at amortised cost	1,123,334	991,269	897,739
Derivative financial liabilities	16,620	8,970	6,386
Total Liabilities	1,155,040	1,168,130	1,073,108

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

Provision for impairments on credit exposure of \$50,000 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 NZ Banking Group 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 NZ Banking Group 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 NZ Banking Group, 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 NZ Banking Group intends to continue to closely monitor the developments of COVID-19 and actively manage the impact on the NZ Banking Group'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 18, the NZ Banking Group 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 \$5.7m in the loan impairment provision relative to the equivalent period in 2019.

18. Asset Quality

a) Credit quality information

	FVTPL	Amortised cost			Total loans and advances \$000
	Investment securities \$000	Residential mortgage loans \$000	Corporate exposures \$000	Other exposures \$000	
As at 30 June 2020					
Neither past due nor impaired	-	755,778	2,264,886	11,168	3,031,832
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	2,264,886	11,168	3,033,076
Total Provision for impairment losses	-	(6,500)	(7,725)	(50)	(14,275)
Unearned income	-	-	-	-	(3,805)
Loan origination fees	-	-	-	-	1,090
Fair value hedge adjustments	-	-	-	-	384
Total net loans and advances	-	750,522	2,257,161	11,118	3,016,470

b) Movement in loans and advances

	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
As at 30 June 2020					
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	1,613,851	-	-	-	1,613,851
Additions	2,596,461	-	-	-	2,596,461
Amounts written off	-	-	-	-	-
Deletions	(1,945,426)	-	-	-	(1,945,426)
Gross balance as at end of year	2,264,886	-	-	-	2,264,886
Other exposures					
Gross balance as at beginning of year	-	-	-	-	-
Additions	13,746	-	-	-	13,746
Amounts written off	-	-	-	-	-
Deletions	(2,578)	-	-	-	(2,578)
Gross balance as at end of year	11,168	-	-	-	11,168
Total					
Gross balance as at beginning of year	2,315,338	-	-	-	2,315,338
Additions	2,717,381	-	-	-	2,717,381
Amounts written off	-	-	-	-	-
Deletions	(1,999,643)	-	-	-	(1,999,643)
Gross balance as at end of year	3,033,076	-	-	-	3,033,076

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

c) Movement in provision for impairment losses

	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
As at 30 June 2020					
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	4,062	-	-	-	4,062
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	14,723	-	-	-	14,723
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(11,060)	-	-	-	(11,060)
Recovery of amounts written off	-	-	-	-	-
Balance at end of year – Corporate exposures	7,725	-	-	-	7,725
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	50	-	-	-	50
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-	-
Recovery of amounts written off	-	-	-	-	-
Balance at end of year – Other exposures	50	-	-	-	50
Total					
Balance at beginning of year	8,216	-	-	-	8,216
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	17,499	-	-	-	17,499
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(11,440)	-	-	-	(11,440)
Recovery of amounts written off	-	-	-	-	-
Total provision for impairment losses at the end of year for loans and advances	14,275	-	-	-	14,275

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 \$21,000 (30 June 2019: \$21,000, (31 December 2019: \$20,000) (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 NZ Banking Group 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.

19. Concentration of Credit Exposures

Concentrations of credit exposures arise where the NZ Banking Group is exposed to risk in industries of a similar nature or in particular geographies. The following table presents the NZ Banking Group's 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.

As at	On-balance sheet credit exposures			Off-balance sheet credit related commitments		
	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	87,560	23,886	38,487	8,980	21,638	4,594
Mining	30,025	30,039	30,039	-	-	-
Manufacturing ¹	527,557	328,555	246,641	102,366	2,366	202,367
Electricity, gas, water and waste services	256,973	244,445	250,275	354,331	293,048	286,352
Construction ¹	346,571	328,244	297,967	161,991	306,455	191,184
Retail trade	-	-	-	144	295	144
Wholesale trade	-	-	10,078	-	-	207
Accommodation and food services	50,550	48,302	48,244	2,500	2,500	2,500
Health care and social assistance	11,171	-	9,776	3,832	-	5,318
Transport, postal and warehousing	119,111	55,278	65,182	161,500	90,500	185,500
Information media and telecommunications	113,365	6,293	95,430	-	-	-
Financial and insurance services ¹	345,342	288,308	523,943	-	6,671	-
Rental, hiring and real estate services ¹	721,999	341,617	521,603	39,654	15,775	125,897
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	3,453,566	2,532,238	3,072,489	941,269	810,432	1,094,845
Unearned income	(3,805)	(4,834)	(4,528)	-	-	-
Loan origination fees	1,090	1,127	904	-	-	-
Fair value hedge adjustments	384	1,345	638	-	-	-
Provisions for impairment losses	(14,296)	(6,456)	(8,236)	-	-	-
Total credit exposures	3,436,939	2,523,420	3,061,267	941,269	810,432	1,094,845
Geographical area²						
New Zealand	2,725,481	1,738,209	2,362,973	801,169	669,412	961,076
Overseas	711,458	785,211	698,294	140,100	141,020	133,769
Total credit exposures	3,436,939	2,523,420	3,061,267	941,269	810,432	1,094,845

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.

20. Concentration of Funding

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

ANZSIC 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	634,056	215,121	432,068
Deposits from customers	299,854	214,678	312,203
Debt securities issued	1,059,385	691,130	976,213
Due to related parties	1,123,334	1,144,036	1,051,615
Subordinated debt	15,086	15,124	15,107
Total funding	3,131,715	2,280,089	2,787,206
Concentration of funding by industry sector			
Accommodation and food services	-	1	-
Agriculture, forestry and fishing	1,780	313	7,755
Mining	10,000	-	-
Construction	20,379	15,897	19,899
Electricity, gas, water and waste services	-	-	-
Financial and insurance services	1,824,601	1,035,485	1,543,141
Households	22,265	4,604	21,102
Manufacturing	3,079	1,275	3,802
Local government administration	-	-	-
Public administration and safety	-	-	-
Rental, hiring and real estate services	8,013	3,492	14,550
Retail trade	170	6,513	231
Transport, postal and warehousing	70,383	24,650	83,296
Wholesale trade	9,882	219	1,887
Other	22,743	28,480	24,821
Subtotal	1,993,295	1,120,929	1,720,484
Due to related parties (including Subordinated debt)	1,138,420	1,159,160	1,066,722
Total funding	3,131,715	2,280,089	2,787,206
Concentration of funding by geographic region ¹			
New Zealand	1,336,780	877,307	1,323,670
China	1,508,591	1,176,938	1,400,563
Australia	49,962	52,484	56,801
Rest of Overseas	236,382	173,360	6,172
Total funding	3,131,715	2,280,089	2,787,206

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

21. Liquidity and Funding Risk Management

(a) Liquidity portfolio management

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

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		242,508	118,175	346,354
Due from related parties ²	17	4,051	2,255	12,563
Total Cash and cash equivalent		306,250	127,274	397,078
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		312,750	167,522	547,031

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 NZ Banking Group's cash flows by remaining period to contractual maturity as at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows and include principal and future interest cash flows and therefore will not agree to the carrying amounts on the balance sheet.

Actual cash flows may differ significantly from the contractual cash flows presented below as a result of future actions of the NZ Banking Group and its counterparties such as early repayments or refinancing of term loans.

The contractual maturity analysis for off-balance sheet commitments and contingent liabilities has been prepared using the earliest date at which the NZ Banking Group can be called upon to pay. The liquidity risk of credit related commitments and contingent liabilities may be less than the contract amount and does not necessarily represent future cash requirements as many of these facilities are expected to be only partially used or to expire unused.

The NZ Banking Group does not manage its liquidity risk based on the analysis presented in the below table.

As at 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							
Due to other financial institutions	-	494,980	140,800	-	-	635,780	634,056
Deposits from customers	60,277	99,846	139,614	2,156	-	301,893	299,854
Debt securities issued	-	156,753	125,022	798,112	-	1,079,887	1,059,385
Due to related parties	-	227,899	706,237	62,203	-	996,339	1,123,334
Subordinated Debt	-	107	320	16,459	-	16,886	15,086
Lease liabilities	-	216	564	70	-	850	838
Total non-derivative financial liabilities	60,277	979,801	1,112,557	879,000	-	2,395,855	3,132,553
Derivative financial liabilities							
Net settled	-	-	225	7,995	-	8,220	
Gross settled – cash inflow	-	(705,444)	(289,756)	(159,804)	-	(1,155,004)	
Gross settled – cash outflow	-	746,421	304,336	160,955	-	1,211,712	
Total derivative financial liabilities	-	40,977	14,805	9,146	-	64,928	63,758

22. 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 NZ Banking Group's non-traded interest rate risk mainly comprises of yield curve, repricing, basis and optionality risks arising from mismatch of term structure and pricing basis of assets and liabilities in the NZ Banking Group's book. The NZ Banking Group uses the following tools to monitor and manage its interest rate risk:

- Interest rate repricing gap limits: This includes both limits on the aggregate net position, curve risk and limits applied to the short or long position for each repricing time bucket.
- Simulations using interest rate scenarios are used to provide a series of potential 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 NZ Banking Group'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 NZ Banking Group'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	242,450	20,000	-	-	-	186	262,636
Investment securities	6,709	-	-	20,818	5,318	280	33,125
Derivative financial assets	-	-	-	-	-	59,802	59,802
Loans and advances	2,091,761	263,727	366,842	169,455	135,610	(10,925)	3,016,470
Due from related parties	5,215	-	-	-	-	-	5,215
Total financial assets	2,405,826	283,727	366,842	190,273	140,928	49,343	3,436,939
Non-financial assets	-	-	-	-	-	6,255	6,255
Total assets	2,405,826	283,727	366,842	190,273	140,928	55,598	3,443,194
Financial liabilities							
Due to other financial institutions	491,905	140,100	-	-	-	2,051	634,056
Derivative financial liabilities	-	-	-	-	-	63,758	63,758
Deposits from customers	159,572	52,602	83,924	2,070	-	1,686	299,854
Debt securities issued	555,214	21,419	89,042	-	370,324	23,386	1,059,385
Due to related parties	606,802	202,865	311,333	-	-	2,334	1,123,334
Subordinated debt	15,000	-	-	-	-	86	15,086
Total financial liabilities	1,828,493	416,986	484,299	2,070	370,324	93,301	3,195,473
Non-financial liabilities	-	-	-	-	-	6,064	6,064
Total liabilities	1,828,493	416,986	484,299	2,070	370,324	99,365	3,201,537
On-balance sheet interest rate repricing gap							
Net derivative notional amount	(378,757)	30,257	(11,500)	-	360,000	-	-
Net interest rate repricing gap	198,576	(103,002)	(128,957)	188,203	130,604	(43,767)	241,657

23. Capital Adequacy

For the purposes of this Disclosure Statement the NZ Banking Group is subject to regulations for registered banks as specified by the Reserve Bank for two banking licenses, one for CCBNZL and another for the Branch. 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 banks. The Branch and CCBNZL must comply with RBNZ registration requirements, including any minimum capital ratios (as applicable) under the conditions of registration for each respective banking licence.

The objective of the Basel III Framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks. Basel III consists of three pillars – Pillar 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.

Capital management

The primary objectives of the NZ Banking Group's capital management is to ensure that the NZ Banking Group complies with the externally imposed 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 Boards of Directors for CCBNZL and the Overseas Bank have ultimate responsibility for ensuring 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 regulatory requirements. CCBNZL and the Overseas Bank each actively monitor its capital adequacy as part of the Internal Capital Adequacy Assessment Process ("ICAAP"), for CCBNZL, which complies with the requirements set out in the Reserve Bank document BS12 Guidelines on Internal Capital Adequacy Assessment Process (ICAAP), and the "Internal Capital Assessment" for the Overseas Bank, and reports this on a regular basis to senior management and the respective Boards.

The key features of the Internal Capital Assessment and ICAAP include:

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

CCBNZL regulatory requirement

Capital ratios are used to define minimum capital requirements for each of: Common Equity (CET1), Tier 1 capital (CET1 plus AT1), and Total capital (Tier 1 plus Tier 2), as a percentage of risk-weighted assets. CCBNZL calculated its regulatory capital requirements in accordance with the Reserve Bank document BS2A Capital Adequacy Framework (Standardised Approach). As a condition of registration, CCBNZL 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 CCBNZL must not be less than \$30 million.

During the reporting period, CCBNZL has complied with all the RBNZ minimum capital ratios to which it is subject to.

In addition to the minimum capital requirements, BS2A prescribed 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 CCBNZL, 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.

CCBNZL'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.

Overseas Banking Group regulatory requirement

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% 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 Overseas Bank and the Overseas Banking 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%

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

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 April 2018 to maturity in April 2023.

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 28 July 2016. If a Non-Viability Trigger Event occurs, CCBNZL must apply the conditions of ("Write-off"). A Non-Viability Trigger Event occurs if:

- the Reserve Bank has reasonable grounds to believe that CCBNZL meets any of the grounds of section 113(a) to (e) of the Reserve Bank Act 1989 requiring CCBNZL to write off (in whole or in part) a class of capital instrument that includes the Notes; or
- CCBNZL is subject to statutory management and the statutory manager decides to write off the Notes (in whole or in part).

Credit and market risk**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 NZ Banking Group's Pillar 1 capital requirement for credit risk, categorised by loan-to-valuation ratio specified in Capital Adequacy Framework (Standardised Approach) (BS2A).

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	18 (a)	(6,500)
On-balance sheet exposures	18 (a)	750,522
Off-balance sheet exposures		77,474
Total Residential mortgages exposures		827,996

Market risk

	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
As at 30 June 2020 (Unaudited)				
Interest rate risk	70,465	5,637	102,303	8,184
Foreign currency risk	5,204	416	5,204	416
Equity risk	-	-	-	-
Total	75,669	6,053	107,507	8,600

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).

Other Disclosures**24. Insurance Business, Securitisation, Funds Management, other Fiduciary Activities and the Marketing and Distribution of Insurance Products****Insurance**

The NZ Banking Group does not conduct any insurance business.

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

The NZ Banking Group is not involved in:

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

25. Commitments and Contingent Liabilities

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

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

Credit related and other commitments (contractual or notional amount) and contingent liabilities arising in respect of the NZ Banking Group's operations as at 30 June 2020 were:

	Unaudited 30 Jun 2020 \$000	Unaudited 30 Jun 2019 \$000	Audited 31 Dec 2019 \$000
As at			
Credit related commitments and contingent liabilities			
Commitments to extend credit	794,285	668,742	954,193
Financial guarantees	89	383	89
Standby letters of credit	140,100	134,348	133,769
Trade letters of credit	-	-	-
Non-financial guarantees	6,795	6,959	6,794
Total Credit related commitments and contingent liabilities	941,269	810,432	1,094,845

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

26. Overseas Banking Group

Overseas Banking Group	
Asset Quality	
As at 31 December 2019	
Total gross individually impaired assets	RMB 212,473 million
Total individually impaired assets as a % of Total Assets	0.84%
Total Individual credit impairment allowance	RMB 149,251 million
Total individual credit impairment allowance as a % of total gross individually impaired assets	70.24%
Total collective impairment allowance	RMB 332,907 million
Profitability	
Net Profit after tax for the period ended 31 March 2020	RMB 80,981 million
Net Profit after tax for the 12 months ended 31 March 2020 as a % of average total assets	1.06%
Size	
As at 31 March 2020	
Total assets	RMB 27,110,165 million
% change in total assets from 31 March 2019	12.07%

27. 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 NZ Banking Group.

Abbreviations

ALCO	Asset and Liability committee
ANZSIC	Australia and New Zealand Standard Industrial Classifications
BARC	Board Audit and Risk Committee
CBIRC	China Banking and Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
CET1	Common Equity Tier 1
CFP	Contingency funding plan
ECL	Expected credit loss
EWI	Early warning indicator
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
ICAAP	Internal capital adequacy assessment process
IRB	Internal rating based
IRRBB	Interest rate risk in the Banking book
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 Directors of China Construction Bank Corporation

We have reviewed pages 7 to 32 of the Disclosure Statement of China Construction Bank Corporation New Zealand Banking Group (the “NZ Banking Group”), for the six month period ended 30 June 2020 which includes the interim financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 9, 12 and 14 of the Order. The NZ Banking Group comprises the New Zealand branch of China Construction Bank Corporation and China Construction Bank (New Zealand) Limited. 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 NZ Banking Group.

This report is made solely to the Directors of China Construction Bank Corporation, as a body. Our review has been undertaken so that we might state to the Directors 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 NZ Banking Group and the Directors, as a body, for our review work, for this report, or for our findings.

Directors’ responsibilities

The Directors are responsible, on behalf of China Construction Bank Corporation, for the preparation and fair presentation of the Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 26 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 China Construction Bank Corporation, for including supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 12 and 14 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 26 and Schedules 5, 7, 9, 12 and 14 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, 18, 19 to 24, 26 and the ‘Interest earning and discount bearing assets’ and ‘Interest and discount bearing liabilities’ disclosed on page 9 (“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 credit and market risk exposures and capital adequacy in Note 23) prescribed by Schedules 5, 7, 12 and 14 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 this supplementary information does not fairly state, in all material respects, the matters to which it relates in accordance with those Schedules.



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Our responsibility in relation to supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Note 23 that is required to be disclosed in accordance with 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 NZ Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

Conclusion

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

- the interim financial statements on pages 7 to 32 (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 credit and market risk exposures and capital adequacy in Note 23) prescribed by Schedules 5, 7, 12 and 14 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 credit and market risk exposures and capital adequacy (disclosed in Note 23) 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.

The signature 'Ernst & Young' is written in a dark blue, cursive script.

Chartered Accountants
28 August 2020
Auckland