中国建设银行(新西兰)
China Construction Bank (New Zealand) Ltd.

China Construction Bank (New Zealand) Limited

Disclosure Statement

For the six months ended
30 June 2021

CCB 中国建设银行(新西兰) China Construction Bank (New Zealand) Ltd.

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Disclosure Statement

For the six months ended 30 June 2021

General Information and Definitions

This Disclosure Statement has been issued by China Construction Bank (New Zealand) Limited (the "Bank") for the six months ended 30 June 2021 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 following changes to the composition of the Board of Directors (the "Board") have occurred since the Bank's previous full year Disclosure Statement for the year ended 31 December 2020.

- Mr Michael Allen retired as an Independent Non-executive Director of the Board in July 2021.
- Dr Alan Bollard was appointed as an Independent Non-executive Director of the Board in July 2021.

As at the date of signing this Disclosure Statement, there have been no other changes in the Board since 31 December 2020.

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, Dr Alan Bollard, Xingyao Li and Hong Yang.

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

Rating Agency	S&P Global Ratings (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 2020 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 2020.

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 2021, considering relevant rules in the transition period, CCB Group's total capital for capital adequacy purposes was RMB 2,914,010 million (NZD 644,379 million) and its total capital ratio was 16.71%. The capital ratio was calculated in accordance with the Capital Rules for Commercial Banks (Provisional) promulgated by the China Banking and Insurance Regulatory Commission (CBIRC) 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

In May 2021, Standard & Poor's affirmed the Overseas Bank's A rating. In June 2021, Moody's Investors Service affirmed the Overseas Bank's A1 rating. In June 2021, Fitch affirmed the Overseas Bank's A rating.

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 2020 pursuant to section 74(2) of the Reserve Bank of New Zealand Act 1989:

A. Effective 22 April 2021:

(a) The restriction on Condition 1B and 1C imposed on 2 April 2020, which restricted the distribution of retained earnings and other reserves included within the Bank's total capital regardless of the size of the buffer ratio, was eased. This allows the bank to pay up to 50% of its earnings as dividends to its shareholders based on its capital position in relation to the buffer ratio.

B. Effective 1 May 2021:

(a) Condition 11 has been modified to reflect the issue date of revised BS 13 *Liquidity Policy* and BS13A *Liquidity Policy Annex: Liquid Assets* ;

(b) Conditions 15 to 18 have been added to include further restrictions on High-LVR residential mortgage lending to investors as follows:

15 That, for a loan-to-valuation measurement period ending on or before 30 September 2021, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

16 That, for a loan-to-valuation measurement period ending on or after 31 October 2021, the total of the bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

17 That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

18 That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

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

Ernst & Young ("EY"), 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 2021:

(a) the Bank has complied in all material respects with each condition of registration that applied during that period;
(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 11 August 2021 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 2021 6 months $000	Unaudited 30 Jun 2020 6 months $000	Audited 31 Dec 2020 12 months $000
Interest income	2	28,268	29,673	58,933
Interest expense	2	(9,888)	(15,368)	(26,648)
Other interest (expense)/income	2	-	(19)	(19)
Net interest Income	2	**18,380**	**14,286**	**32,266**
Net non-interest income	3	2,387	1,791	1,386
Total operating income		**20,767**	**16,077**	**33,652**
Operating expenses		(5,277)	(5,503)	(11,154)
Impairment (losses) / write-back on credit exposures	4	909	(3,935)	(4,600)
Profit/ (Loss) before income tax		**16,399**	**6,639**	**17,898**
Income tax expense		(4,673)	(1,938)	(5,101)
Profit after income tax attributable to the owner of the Bank		**11,726**	**4,701**	**12,797**
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		(35)	568	400
Total other comprehensive income, net of tax		**(35)**	**568**	**400**
Total comprehensive income attributable to the owner of the Bank		**11,691**	**5,269**	**13,197**

These interim financial statements are to be read in conjunction with the notes on pages 12 - 39.

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Statement of Changes in Equity

For the 6 months ended 30 June 2021 (Unaudited)	Share Capital $000	Retained Earnings $000	Cash Flow Hedge Reserve $000	FVOCI Reserve $000	Total $000
Balance at 01 January 2021	199,178	41,665	(194)	205	240,854
Profit after income tax	-	11,726	-	-	11,726
Other comprehensive income	-	-	95	(130)	(35)
Total comprehensive income for the period	**-**	**11,726**	**95**	**(130)**	**11,691**
Balance at 30 June 2021	**199,178**	**53,391**	**(99)**	**75**	**252,545**

For the period 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 period	**-**	**4,701**	**307**	**261**	**5,269**
Balance at 30 June 2020	**199,178**	**33,569**	**(30)**	**209**	**232,926**

For the 12 months ended 31 December 2020 (Audited)	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	-	12,797	-	-	12,797
Other comprehensive income	-	-	143	257	400
Total comprehensive income for the year	**-**	**12,797**	**143**	**257**	**13,197**
Balance at 31 December 2020	**199,178**	**41,665**	**(194)**	**205**	**240,854**

These interim financial statements are to be read in conjunction with the notes on pages 12 - 39.

Balance Sheet

As at	Note	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Assets				
Cash and balances with central bank	6	82,800	59,691	151,469
Due from other financial institutions	7	60,973	184,033	63,825
Investment securities	8	81,333	33,125	32,739
Loans and advances	9	1,654,307	1,586,303	1,573,614
Due from related parties	17	269	2,218	410
Derivative financial assets	10	17,323	48,723	26,466
Property, plant and equipment	11	1,076	1,145	1,559
Intangible assets		21	60	39
Deferred tax assets		3,748	3,587	4,043
Other assets		123	113	165
Total assets		**1,901,973**	**1,918,998**	**1,854,329**
Liabilities				
Due to other financial institutions	12	16,007	-	-
Deposits from customers	13	347,573	242,404	314,664
Debt securities issued	14	1,056,759	1,059,385	1,074,472
Due to related parties	17	180,458	352,079	155,057
Subordinated debt	17	15,088	15,086	15,087
Derivative financial liabilities	10	27,203	12,339	46,454
Current tax liabilities		2,025	1,066	2,787
Other liabilities	15	4,315	3,713	4,954
Total liabilities		**1,649,428**	**1,686,072**	**1,613,475**
Shareholder's equity				
Share capital		199,178	199,178	199,178
Retained earnings		53,391	33,569	41,665
Reserves		(24)	179	11
Total shareholder's equity		**252,545**	**232,926**	**240,854**
Total liabilities and shareholder's equity		**1,901,973**	**1,918,998**	**1,854,329**
Total interest earning and discount bearing assets		1,887,450	1,873,347	1,830,268
Total interest and discount bearing liabilities		1,603,387	1,643,531	1,538,701

These interim financial statements were approved by the Directors on 11 August 2021 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 - 39.

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Cash Flow Statement

For the period ended	Note	Unaudited 30 Jun 2021 6 months $000	Unaudited 30 Jun 2020 6 months $000	Audited 31 Dec 2020 12 months $000
Cash flows from operating activities				
Interest received		28,001	29,942	58,954
Interest paid [1]		(10,593)	(22,837)	(32,432)
Income received from financial instruments designated at FVOCI / FVTPL		351	1,846	2,041
Non-interest income received		(20,146)	5,871	19,183
Non-interest expense paid		20,737	(311)	(2,180)
Operating expenses paid		(4,963)	(4,914)	(9,088)
Income taxes paid		(5,177)	(4,681)	(6,516)
Net cash flows from operating activities before changes in operating assets and liabilities		**8,210**	**4,916**	**29,962**
Net changes in operating assets and liabilities:				
Net decrease/(increase):				
GST receivable		26	32	(4)
Other assets		16	(6)	(22)
Loans and advances		(79,718)	(165,969)	(154,134)
Due from related parties		(4)	10,018	10,022
Net increase/(decrease):				
Due to other financial institutions		16,007	-	-
Deposits from customers		34,139	3,710	75,158
Net changes in operating assets and liabilities		**(29,534)**	**(152,215)**	**(68,980)**
Net cash flows provided by/ (used in) operating activities	5	**(21,324)**	**(147,299)**	**(39,018)**
Cash flows from investing activities				
Purchase of investment securities		(48,846)	167,334	167,720
Placements with other financial institutions		-	(20,128)	-
Purchase of property, plant and equipment		(33)	(72)	(253)
Purchase of intangible assets		-	(1)	(1)
Net cash flows used in investing activities		**(48,879)**	**147,133**	**167,466**
Cash flows from financing activities				
Amount borrowed from related parties		21,323	36,074	343,199
Repayments of due to related parties		(2,330)	(58,260)	(558,143)
Issuance of debt issues	14	165,000	155,000	385,000
Repayments of debt securities	14	(185,000)	(95,000)	(270,500)
Repayment of lease liabilities		(456)	(438)	(899)
Net cash flows (used in)/ provided by financing activities		**(1,463)**	**37,376**	**(101,343)**
Net increase/ (decrease) in cash and cash equivalents		(71,666)	37,210	27,105
Cash and cash equivalents at beginning of the year		215,708	188,603	188,603
Cash and cash equivalents at end of the period	21 (a)	**144,042**	**225,813**	**215,708**
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)	60,973	163,904	63,825
Cash and balances with central banks	21 (a)	82,800	59,691	151,469
Due from related parties (nostro account)	21 (a)	269	2,218	414
Cash and cash equivalents at end of the period	21 (a)	**144,042**	**225,813**	**215,708**

[1] *Comparative information for 30 June 20 and 31 December 2020 has been reclassified to ensure consistency with current year reporting. Interest paid includes interest paid on financing activities previously classified under Cash flows from financing activities.*

These interim financial statements are to be read in conjunction with the notes on pages 12 - 39.

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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 2021.

They were approved for issue by the Board of Directors (the "Board") of the Bank on 11 August 2021.

As at 30 June 2021, 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 2020.

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 2020 and half year ended 30 June 2020. There have been no material changes to the accounting policies during the six months ended 30 June 2021.

The following amendments to accounting standards relevant to the NZ Banking Group have been adopted from the 1st of January 2021 and have been applied in the preparation of these financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7"Interest Rate Benchmark Reform"

The financial impact on the Bank is immaterial from cessation of LIBOR on 31 December 2021, with the LIBOR settings on the small number of existing transactions to remain available until the maturity of these transactions, as confirmed by the United Kingdom Financial Conduct Authority in December 2020.

Financial Performance

2. Net interest income

	Unaudited Jun 2021 6 months $000	Unaudited Jun 2020 6 months $000	Audited Dec 2020 12 months $000
Interest income			
[1] Cash and balances with central bank	204	144	310
[1] Due from other financial institutions	78	839	1,051
[1] Loans and advances *	27,750	28,362	57,043
[1] Due from related parties	4	10	13
[2] Investment securities	232	318	516
Total interest income	**28,268**	**29,673**	**58,933**
Interest expense			
[3] Due to other financial institutions	(7)	-	(37)
[3] Deposits and other borrowings	(1,471)	(2,480)	(4,322)
[3] Due to related parties	(589)	(2,294)	(3,716)
[3] Debt securities issued	(7,812)	(10,578)	(18,541)
[3] Lease Liabilities	(9)	(16)	(32)
Total interest expense	**(9,888)**	**(15,368)**	**(26,648)**
Other interest (expense)/income			
[4] Investment securities	-	264	264
[4] Due to related party	-	(283)	(283)
Total other interest (expense)/income	**-**	**(19)**	**(19)**
Total net interest income	**18,380**	**14,286**	**32,266**

[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 2020: nil, 31 December 2020: nil).*

3. Non-interest income

	Unaudited Jun 2021 6 months $000	Unaudited Jun 2020 6 months $000	Audited Dec 2020 12 months $000
Fee income			
Lending and credit facility related fee income	1,784	1,349	2,057
Other fee expense	(97)	(263)	(226)
Trade finance and other fee income	25	40	88
Management fee income	289	244	516
Total fee income	**2,001**	**1,370**	**2,435**
Other income (expense)			
Net ineffectiveness on qualifying hedges	18	121	126
Net gain/(loss) on derivatives	368	356	(1,119)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	-	(88)	(88)
Unrealised gain/(loss) on financial liabilities at fair value through profit or loss	-	32	32
Total other income (expense)	**386**	**421**	**(1,049)**
Total net non-interest income	**2,387**	**1,791**	**1,386**

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4. Impairment losses on credit exposures

	Other financial assets [1] $000	Loans and advances: Residential mortgage loans $000	Loans and advances: Corporate exposures $000	Off-balance sheet credit related business [2] $000	Total impairment loss $000
For the six months ended 30 Jun 2021 (Unaudited)					
Movement in collective provision 12-months ECL	6	(854)	(89)	28	(909)
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 credit exposures	**6**	**(854)**	**(89)**	**28**	**(909)**
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 credit exposures	**2**	**2,346**	**1,587**	**-**	**3,935**
For the year ended 31 December 2020 (Audited)					
Movement in collective provision 12-months ECL	(3)	2,726	1,877	-	4,600
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 credit exposures	**(3)**	**2,726**	**1,877**	**-**	**4,600**

[1] *Other financial assets includes impairment losses on Due from other financial institutions and Investments securities.*

[2] *The provision for Off-balance sheet credit related business is included in other liabilities (note 15).*

5. Net Cash Flows used in Operating Activities

For the six months ended	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Reconciliation of profit after income tax to net cash flows from (used in) operating activities			
Profit after income tax	11,726	4,701	12,797
Adjustments:			
Impairment losses on credit exposures	(909)	3,935	4,600
Depreciation and amortisation	534	677	1,197
Deduct/(add) items reclassified as financing activities [1]	-	-	-
Income tax expense	(504)	(2,743)	(1,416)
Movement in fair value of financial assets and liabilities	(1,795)	3,769	15,617
Movement in interest accruals	(842)	(5,423)	(2,834)
Net (increase)/decrease in operating assets:			
GST receivable	26	32	(4)
Loans and advances	(79,718)	(165,969)	(154,134)
Due from related parties [2]	(4)	10,018	10,022
Other assets	16	(6)	(21)
Net increase/(decrease) in operating liabilities:			
Due to other financial institutions	16,007	-	-
Deposits from customers	34,139	3,710	75,158
Net cash flow from (used in) operating activities	**(21,324)**	**(147,299)**	**(39,018)**

[1] *Comparative information for 30 June 2020 and 31 December 2020 has been restated to reclassify interest paid on financing activities to Cash flows from operating activities.*

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

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Financial Position

6. Cash and balances with Central Bank

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Settlement account balances with central bank	82,800	59,691	151,469
Total cash and balances with central bank	**82,800**	**59,691**	**151,469**

7. Due from other financial institutions

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Placements with other financial institutions – call	26,673	11,026	22,286
Placements with other financial institutions – term	34,307	173,017	41,544
Provision for impairment losses	(7)	(10)	(5)
Total amount due from other financial institutions	**60,973**	**184,033**	**63,825**

8. Investment securities

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
At FVOCI			
Registered bank securities	25,671	6,500	6,536
Multilateral development banks and other international organisation	55,662	26,625	26,203
Total investment securities at FVOCI	**81,333**	**33,125**	**32,739**

9. Loans and Advances

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Residential mortgages	720,781	757,022	742,263
Corporate exposures	944,397	840,252	842,481
Total gross loans and advances	**1,665,178**	**1,597,274**	**1,584,744**
Unearned income	(2,129)	(1,921)	(1,418)
Loan origination fees	1,364	1,090	1,337
Fair value hedge adjustments	-	239	-
Loans and advances before provisions for impairment	**1,664,413**	**1,596,682**	**1,584,663**
Provision for impairment losses	(10,106)	(10,379)	(11,049)
Total net loans and advances	**1,654,307**	**1,586,303**	**1,573,614**

10. Derivative financial instruments

	As at 30 Jun 2021 (Unaudited)			As at 30 Jun 2020 (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	4,510	(4,328)	195,617	8,205	(7,946)
Forward contracts	44,463	1,893	(1,875)	54,369	279	(241)
FX Swaps	681	7	(13)	6,265	49	(33)
Fair value hedges						
Interest rate swap	390,178	10,024	-	518,443	22,765	(419)
Dual fair value and cash flow hedges						
Cross Currency Interest rate swap	348,024	-	(20,987)	406,669	17,100	(2,076)
Economic Hedge						
FX Swaps	65,747	889	-	196,402	325	(1,624)
Total derivative financial instruments	**1,044,710**	**17,323**	**(27,203)**	**1,377,765**	**48,723**	**(12,339)**

	As at 31 Dec 2020 (Audited)		
	Notional Amount $000	Fair Values Assets $000	Fair Values Liabilities $000
Held for Trading			
Interest rate swap	195,617	6,730	(6,519)
Forward contracts	44,418	2,580	(2,563)
FX Swaps	1,610	35	(41)
Fair value hedges			
Interest rate swap	360,001	16,982	-
Dual fair value and cash flow hedges			
Cross Currency Interest rate swap	348,024	-	(31,743)
Economic Hedge			
Forward contracts	444	-	(8)
FX Swaps	75,739	139	(5,580)
Total derivative financial instruments	**1,025,853**	**26,466**	**(46,454)**

11. Property, plant and equipment

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Property, plant and equipment owned	3,768	3,554	3,735
Accumulated depreciation	(3,357)	(3,218)	(3,279)
Total Property, plant and equipment owned	**411**	**336**	**456**
Right-of-use asset	2,799	2,067	2,067
Accumulated depreciation	(2,134)	(1,258)	(1,696)
Additions to right-of-use assets	-	-	732
Total Right-of-use asset	**665**	**809**	**1,103**
Total Property, plant and equipment	**1,076**	**1,145**	**1,559**

Additions to the Right-of-use assets for the six months ended 30 June 2021 is $ nil (30 June 2020: nil, 31 December 2020: $732,000).

12. Due to other financial institutions

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Securities sold under agreements to repurchase from central bank	16,007	-	-
Total due to other financial institutions	**16,007**	**-**	**-**

13. Deposits from Customers

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Demand deposits bearing interest	66,388	56,746	48,084
Term deposits	280,247	184,302	264,413
Demand deposits not bearing interest	938	1,356	2,167
Total deposits from customers	**347,573**	**242,404**	**314,664**

14. Debt securities issued

As at	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Short term debt			
Registered certificate of deposits	-	151,000	160,000
Long term debt			
Medium-term notes	1,045,837	885,833	911,932
Total debt securities issued at face value	**1,045,837**	**1,036,833**	**1,071,932**
Movement in debt securities issued			
Balance at beginning of the year	1,074,472	976,213	976,213
Issuance during the period	165,000	155,000	385,000
Repayments during the period	(185,000)	(95,000)	(270,500)
Foreign exchange translation impact [1]	8,905	14,067	(20,333)
Effect of fair value hedge adjustment	(7,288)	10,468	5,522
Net effect of transaction costs and accruals	670	(1,363)	(1,430)
Balance at end of the period	1,056,759	1,059,385	1,074,472
Total debt securities	**1,056,759**	**1,059,385**	**1,074,472**

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

15. Other liabilities

As at	Note	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Other Liabilities				
Trade creditors and other accrued expenses		312	487	323
Lease liability		678	838	1,124
Employee entitlements		3,297	2,388	3,507
Provision for impairment on off-balance sheet credit related business	4	28	-	-
Total Other Liabilities		**4,315**	**3,713**	**4,954**

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

(a) Amounts recognised in Profit or loss	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Interest on lease liabilities	9	16	32
Depreciation charge on Right-of-use asset	439	419	858
Total amounts recognised in profit or loss	**448**	**435**	**890**
(b) Maturity analysis contracted undiscounted cash flows			
Less than one year	60	780	489
One to five years	319	70	305
More than five years	360	-	402
Total undiscounted lease liabilities	**739**	**850**	**1,196**
(c) Lease liabilities included in Other liabilities			
Current	54	838	473
Non-current	624	-	651
Total Lease liabilities included in Other liabilities	**678**	**838**	**1,124**
(d) Amounts recognised in the Statement of cash flows			
Total cash outflow for leases	456	438	899

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 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 2021 (30 June 2020: nil, 31 December 2020: nil). There have been no transfers into/out of Level 3 during the period ended 30 June 2021 (30 June 2020: nil, 31 December 2020: 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 2021 (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	82,800	-	-	-	82,800	82,800
Due from other financial institutions	60,973	-	-	-	60,973	60,973
Investment securities	-	81,333	-	-	81,333	81,333
Loans and advances	1,654,307	-	-	-	1,654,307	1,874,664
Due from related parties	269	-	-	-	269	269
Derivative financial assets	-	-	-	17,323	17,323	17,323
Other assets	60	-	-	-	60	60
Total financial assets	**1,798,409**	**81,333**	**-**	**17,323**	**1,897,065**	**2,117,422**
Financial liabilities						
Due to other financial institutions	16,007	-	-	-	16,007	16,172
Deposits from customers	347,573	-	-	-	347,573	348,371
Debt securities issued	1,056,759	-	-	-	1,056,759	1,087,109
Due to related parties	180,458	-	-	-	180,458	182,128
Subordinated Debt	15,088	-	-	-	15,088	15,958
Derivative financial liabilities	-	-	-	27,203	27,203	27,203
Lease liabilities	678	-	-	-	678	678
Total financial liabilities	**1,616,563**	**-**	**-**	**27,203**	**1,643,766**	**1,677,619**

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						
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 31 Dec 2020 (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	151,469	-	-	-	151,469	151,469
Due from other financial institutions	63,825	-	-	-	63,825	63,825
Investment securities	-	32,739	-	-	32,739	32,739
Loans and advances	1,573,614	-	-	-	1,573,614	1,832,059
Due from related parties	410	-	-	-	410	410
Derivative financial assets	-	-	-	26,466	26,466	26,466
Other assets	86	-	-	-	86	86
Total financial assets	**1,789,404**	**32,739**	**-**	**26,466**	**1,848,609**	**2,107,054**
Financial liabilities						
Deposits from customers	314,664	-	-	-	314,664	315,579
Debt securities issued	1,074,472	-	-	-	1,074,472	1,091,885
Due to related parties	155,057	-	-	-	155,057	157,085
Subordinated Debt	15,087	-	-	-	15,087	16,192
Derivative financial liabilities	-	-	-	46,454	46,454	46,454
Lease liabilities	1,124	-	-	-	1,124	1,124
Total financial liabilities	**1,560,404**	**-**	**-**	**46,454**	**1,606,858**	**1,628,319**

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

For these balances, the carrying amount is considered to approximate the fair value, as they are short term in nature or are receivable / payable on demand. A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 19 “Fair Value of Financial Instruments” in the Bank’s full year Disclosure Statement for the year ended 31 December 2020.

17. 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.

(a) 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.

(b) 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 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 due from and due to Ultimate Parent Bank also includes derivative instruments held with the Ultimate Parent Bank, which are marked to market and reflected as *Derivative financial assets and liabilities* .

Recognised in	Unaudited 30 Jun 2021		Unaudited 30 Jun 2020		Audited 31 Dec 2020	
	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 [1]	-	1,261	-	2,712	-	4,193
Interest expense [2]	-	(761)	-	(3,672)	-	(5,321)
Non-interest income / (expense)						
Management fee income *(Refer Note 3)*	289	-	244	-	516	-
Unrealised gain/(loss) on derivatives	-	137	-	231	-	(346)
Unrealised gain/(loss) on financial liabilities at fair value through profit or loss		-		32		32
Operating expenses						
Management service expense reimbursement	3,847	-	3,254	-	6,875	-
Total Profit or Loss impact	**4,136**	**637**	**3,498**	**(697)**	**7,391**	**(1,442)**
Balance Sheet						
Due from related parties						
Cash and liquid assets	-	269	-	2,218	-	414
Loans and advances	-	-	-	-	-	-
Other assets / (liabilities) [3]	-	-	-	-	-	(4)
Derivative financial assets	-	4,728	-	26,711	-	6,511
Total Assets	**-**	**4,997**	**-**	**28,929**	**-**	**6,921**
Subordinated Debt	-	15,088	-	15,086	-	15,087
Due to related parties						
Deposits and overnights placements	51,288	-	1,719	-	29,972	-
Borrowings at fair value through profit or loss	-	-	-	-	-	-
Borrowings at amortised cost	-	129,170	131,834	218,526	-	125,085
Derivative financial liabilities	-	10,719	-	7,946	-	18,075
Total Liabilities	**51,288**	**154,977**	**133,553**	**241,558**	**29,972**	**158,247**

[1] *Included in related party interest income are interest earned on Liquid assets and Derivative financial assets.*
[2] *Included in related party interest expense are interest paid on Subordinated debt, Borrowings with related parties and Derivative financial liabilities.*
[3] *Included in Other assets / (liabilities) are liabilities payable to Ultimate Parent Bank for trade finance related services provided as part of service agreement.*

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 2021 (30 June 2020: nil, 31 December 2020: nil).
Provision for impairments on credit exposure of nil have been recognised in respect of the related party assets as at 30 June 2021 (30 June 2020: nil, 31 December 2020: nil).

Risk Management

B. Covid-19 Pandemic

COVID-19 has had a significant impact on global and domestic economies. It has also introduced a considerable amount of uncertainty for New Zealand households and businesses, including the Bank's customers.

A range of welfare, banking system and fiscal support packages aimed at reducing the severity of the social and economic outcome were introduced by governments and regulatory authorities, both in New Zealand and globally. 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. While the Bank is not part of this scheme, the Bank has provided similar options to defer loan repayment or review loan structure to its customers alongside this package.

Customers accessing these support packages have not been automatically assessed as being subject to a significant increase in credit risk. As at 30 June 2021, a majority of the Bank's customers who had taken up the support packages had reverted back to their normal repayment structure, with only one wholesale customer still on a support 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 pandemic. 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 remains a subject of close attention but given the unprecedented nature of the current environment and the number of variables which impact on the environment, significant uncertainty around the future impact on the Bank remains.

As detailed in Note 24 in the Bank's full year Disclosure statement for the year ended 31 December 2020, the Bank has assessed the impact of COVID-19 on credit impairment and has adjusted its forward looking view of potential loss outcomes due to the current and prospective deterioration in the economy. The economic outlook has improved in 2021, which has resulted in a decrease in the overall loan provision by $4.8m relative to the equivalent period in 2020.

18. Asset Quality

a) Credit quality information

As at 30 June 2021 (Unaudited)	FVTPL Investment securities $000	Amortised cost Residential mortgage loans $000	Corporate exposures $000	Other exposures $000	Total loans and advances $000
Neither past due nor impaired	-	718,744	944,397	-	**1,663,141**
Past due but not impaired:					**-**
Less than 30 days past due	-	-	-	-	**-**
At least 30 days but less than 60 days past due	-	2,037	-	-	**2,037**
At least 60 days but less than 90 days past due	-	-	-	-	**-**
At least 90 days past due	-	-	-	-	**-**
Total past due but not impaired	**-**	**2,037**	**-**	**-**	**2,037**
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	**-**	**720,781**	**944,397**	**-**	**1,665,178**
Total Provision for impairment losses	-	(6,026)	(4,080)	-	(10,106)
Unearned income	**-**	**-**	**-**	**-**	(2,129)
Loan origination fees	**-**	**-**	**-**	**-**	1,364
Fair value hedge adjustments	**-**	**-**	**-**	**-**	-
Total net loans and advances	**-**	**714,755**	**940,317**	**-**	**1,654,307**

b) Movement in loans and advances

As at 30 June 2021 (Unaudited)	Stage 1 12-month ECL $000	Stage 2 Lifetime 12-month ECL $000	Stage 3 Lifetime 12-month ECL $000	Specific Lifetime ECL Credit Impaired $000	Total $000
Residential mortgages					
Gross balance as at 1 January 2021	742,263	-	-	-	**742,263**
Additions	89,289	2,037	-	-	**91,326**
Amounts written off	-	-	-	-	**-**
Deletions	(112,808)	-	-	-	**(112,808)**
Gross balance as at 30 June 2021	**718,744**	**2,037**	**-**	**-**	**720,781**
Corporate exposures					
Gross balance as at 1 January 2021	842,481	-	-	-	**842,481**
Additions	188,622	-	-	-	**188,622**
Amounts written off	-	-	-	-	**-**
Deletions	(86,706)	-	-	-	**(86,706)**
Gross balance as at 30 June 2021	**944,397**	**-**	**-**	**-**	**944,397**
Other exposures					
Gross balance as at 1 January 2021	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Amounts written off	-	-	-	-	**-**
Deletions	-	-	-	-	**-**
Gross balance as at 30 June 2021	**-**	**-**	**-**	**-**	**-**
Total					
Gross balance as at 1 January 2021	**1,584,744**	**-**	**-**	**-**	**1,584,744**
Additions	**277,911**	**2,037**	**-**	**-**	**279,948**
Amounts written off	**-**	**-**	**-**	**-**	**-**
Deletions	**(199,514)**	**-**	**-**	**-**	**(199,514)**
Gross balance as at 30 June 2021	**1,663,141**	**2,037**	**-**	**-**	**1,665,178**

Due from financial institutions' and 'Investment securities' balances (refer to Note 7 and 8) were all represented in Stage 1 - 12 months ECL.

EY

c) Movement in provision for impairment losses

As at 30 June 2021 (Unaudited)	Stage 1 Collective Provision 12-months ECL $000	Stage 2 Collective Provision Lifetime ECL Not Credit Impaired $000	Stage 3 Collective Provision Lifetime ECL Credit Impaired $000	Stage 3 Specific Provision Lifetime ECL Credit Impaired $000	Total Provision $000
Due from other financial institutions [1]	7	-	-	-	**7**
Investment securities [2]	3	-	-	-	**3**
Loans and advances	9,804	302	-	-	**10,106**
Off-balance sheet credit related commitments	28	-	-	-	**28**
Total provision for impairment losses as at 30 June 2021	**9,842**	**302**	**-**	**-**	**10,144**
Residential mortgages					
Balance as at 1 January 2021	6,880	-	-	-	**6,880**
Transferred to collective provision 12-months ECL	-	-	-	-	**-**
Transferred to collective provision lifetime ECL not credit impaired	(302)	302	-	-	**-**
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	1,329	-	-	-	**1,329**
Amounts written off	-	-	-	-	**-**
Reversals of previously recognised impairment losses	(2,183)	-	-	-	**(2,183)**
Recovery of amounts written off	-	-	-	-	**-**
Balance as at 30 June 2021	**5,724**	**302**	**-**	**-**	**6,026**
Corporate exposures					
Balance as at 1 January 2021	4,169	-	-	-	**4,169**
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	909	-	-	-	**909**
Amounts written off	-	-	-	-	**-**
Reversals of previously recognised impairment losses	(998)	-	-	-	**(998)**
Recovery of amounts written off	-	-	-	-	**-**
Balance as at 30 June 2021	**4,080**	**-**	**-**	**-**	**4,080**
Total Loans and Advances					
Balance as at 1 January 2021	**11,049**	**-**	**-**	**-**	**11,049**
Transferred to collective provision 12-months ECL	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision lifetime ECL not credit impaired	**(302)**	**302**	**-**	**-**	**-**
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	**2,238**	**-**	**-**	**-**	**2,238**
Amounts written off	**-**	**-**	**-**	**-**	**-**
Reversals of previously recognised impairment losses	**(3,181)**	**-**	**-**	**-**	**(3,181)**
Recovery of amounts written off	**-**	**-**	**-**	**-**	**-**
Total provision for impairment losses on Loans & advances as at 30 June 2021	**9,804**	**302**	**-**	**-**	**10,106**

[1] There was no transfer of collective provision for 'Due from financial institutions' between the stages. The total provision of $7,000 (30 June 2020: $10,000, 31 December 2020: $5,000) (refer Note 7) was represented in 'Collective provision 12-months ECL' during the period.

[2] There was no transfer of collective provision for 'Investment securities' between the stages. The total provision of $3,000 (30 June 2020: nil, 31 December 2020: nil) was represented in 'Collective provision 12-months ECL' during the period.

As at 30 June 2021 (Unaudited)	Stage 1 Collective Provision 12-months ECL $000	Stage 2 Collective Provision Lifetime ECL Not Credit Impaired $000	Stage 3 Collective Provision Lifetime ECL Credit Impaired $000	Stage 3 Specific Provision Lifetime ECL Credit Impaired $000	Total Provision $000
Off-balance sheet credit related business [1]					
Balance as at 1 January 2021	-	-	-	-	-
Transferred to collective provision 12-months ECL	33	-	-	-	33
Transferred to collective provision lifetime ECL not credit impaire	-	-	-	-	-
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	29	-	-	-	29
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(34)	-	-	-	(34)
Recovery of amounts written off	-	-	-	-	-
Balance as at 30 June 2021	**28**	-	-	-	**28**

[1] *The provision for Off-balance sheet credit related business is included in other liabilities (note 15).*

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

The economic outlook has improved in 2021, which has resulted in a decrease in the overall loan provision by $4.8m relative to the equivalent period in 2020.

Credit commitments to counterparties

Undrawn balances on credit commitments to counterparties for whom drawn balances are classified as individually impaired were nil as at 30 June 2021 (30 June 2020: nil, 31 December 2020: nil).

Assets under administration

The Bank does not have any assets under administration as at 30 June 2021 (30 June 2020: nil, 31 December 2020: nil).

Restructured asset

The Bank does not have any restructured assets as at 30 June 2021 (30 June 2020: nil, 31 December 2020: nil).

19. 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	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000	Unaudited 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Industry sector						
Agriculture, Forestry and Fishing	28,926	4,589	1,595	-	89	-
Mining	-	-	-	-	-	-
Manufacturing	72,995	130,709	76,797	3,668	-	30,076
Electricity, gas, water and waste services	90,977	63,422	89,783	1,749	4,232	2,960
Construction	299,527	199,602	216,130	112,907	121,156	108,240
Retail trade	-	-	-	144	144	144
Wholesale trade	-	-	-	-	-	-
Accommodation and food services	4,806	5,008	4,906	-	-	-
Health care and social assistance	-	11,171	11,200	-	3,832	3,832
Transport, postal and warehousing	-	-	-	-	-	-
Information media and telecommunications	92,086	93,183	92,086	-	-	-
Financial and insurance services	104,243	241,484	97,242	-	-	-
Rental, hiring and real estate services	355,080	332,564	349,984	9,682	12,243	2,482
Professional, scientific and technical services	-	4	-	-	-	-
Public administration and safety	138,462	86,316	177,672	3,571	28,497	7,143
Personal lending	720,781	757,022	742,263	48,881	77,474	23,868
Subtotal	**1,907,883**	**1,925,074**	**1,859,658**	**180,602**	**247,667**	**178,745**
Unearned income	(2,129)	(1,921)	(1,418)	-	-	-
Loan origination fees	1,364	1,090	1,337	-	-	-
Fair value hedge adjustments	-	239	-	-	-	-
Provisions for impairment losses	(10,113)	(10,389)	(11,054)	(28)	-	-
Total credit exposures	**1,897,005**	**1,914,093**	**1,848,523**	**180,574**	**247,667**	**178,745**
Geographical area [1]						
New Zealand [2]	1,541,596	1,328,788	1,458,433	180,574	247,667	178,745
Overseas [2]	355,409	585,305	390,090	-	-	-
Total credit exposures	**1,897,005**	**1,914,093**	**1,848,523**	**180,574**	**247,667**	**178,745**

[1] *Geographic area classification is based on customers' tax residency status.*
[2] *Comparative information for 30 June 2020 and has been reclassified to ensure consistency with current year reporting.*

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 following disclosures show the number of individual counterparties (Bank and Non-Bank) or groups of closely related counterparties where the period end and peak end-of-day credit exposures equalled or exceeded 10% of the Bank's Common Equity Tier 1 (CET1) capital as at balance date.

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 2021 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 2021 (Unaudited)								
	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	-	-	1	-	-	4	4
15% - 19%	-	-	-	-	-	-	4	4
20% - 24%	-	-	-	-	-	-	1	1
25% - 29%	-	-	-	-	-	-	-	-
30% - 34%	-	-	-	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	1	1
40% - 44%	-	-	-	-	-	-	1	1
45% - 49%	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-	-	-
Total	1	-	-	1	-	-	11	11
Peak exposure	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
10% - 14%	1	-	-	1	-	-	4	4
15% - 19%	1	-	-	1	-	-	4	4
20% - 24%	1	-	-	1	-	-	1	1
25% - 29%	-	-	-	-	-	-	-	-
30% - 34%	-	-	-	-	-	-	-	-
35% - 39%	-	-	-	-	-	-	1	1
40% - 44%	-	-	-	-	-	-	1	1
45% - 49%	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-	-	-
Total	3	-	-	3	-	-	11	11

As at 30 June 2020 (Unaudited)								
As at Balance date	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
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
50% - 54%	-	-	-	-	-	-	-	-
Total	3	-	-	3	1	-	11	12
Peak exposure	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
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
50% - 54%	-	-	-	-	-	-	-	-
55% - 59%	-	-	-	-	-	-	-	
65% - 69%	-	-	-	-	-	-	-	
Total	6	1	-	7	1	-	12	13

As at 31 December 2020 (Audited)								
	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%	-	-	-	**-**	-	-	3	**3**
15% - 19%	1	-	-	**1**	-	-	3	**3**
20% - 24%	-	-	-	**-**	-	-	2	**2**
25% - 29%	-	-	-	**-**	-	-	-	**-**
30% - 34%	-	-	-	**-**	-	-	-	**-**
35% - 39%	-	-	-	**-**	-	-	1	**1**
40% - 44%	-	-	-	**-**	-	-	-	**-**
45% - 49%	-	-	-	**-**	-	-	1	**1**
55% - 59%	-	-	-	**-**	-	-	-	**-**
65% - 69%	-	-	-	**-**	-	-	-	**-**
Total	**1**	**-**	**-**	**1**	**-**	**-**	**10**	**10**

Peak exposure	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**
10% - 14%	-	-	-	**-**	1	-	4	**5**
15% - 19%	1	-	-	**1**	-	-	3	**3**
20% - 24%	1	-	-	**1**	-	-	3	**3**
25% - 29%	-	-	-	**-**	-	-	-	**-**
30% - 34%	-	-	-	**-**	-	-	-	**-**
35% - 39%	1	-	-	**1**	-	-	1	**1**
40% - 44%	-	-	-	**-**	-	-	-	**-**
45% - 49%	-	-	-	**-**	-	-	1	**1**
55% - 59%	-	-	-	**-**	-	-	-	**-**
65% - 69%	-	-	-	**-**	-	-	-	**-**
Total	**3**	**-**	**-**	**3**	**1**	**-**	**12**	**13**

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.

20. Market Risk Management

(a) Interest rate risk

Interest rate risk is the risk of loss in earnings or in economic value as a consequence of movements in interest rates. All traded market interest rate risk is derived from customer deals that are systematically hedged at the time of trading, leaving no residual risk. The 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 2021, 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 2021 Unaudited	0-3 months $000	3-6 months $000	6-12 months $000	1-2 years $000	Over 2 years $000	Non-interest bearing [1] $000	Total $000
Financial assets							
Cash and balances with central banks	82,800	-	-	-	-	-	82,800
Due from other financial institutions	60,956	-	-	-	-	17	60,973
Investment securities	25,669	20,228	-	5,182	29,823	431	81,333
Loans and advances [1]	1,052,540	109,499	246,000	145,223	109,261	(8,216)	1,654,307
Due from related parties	269	-	-	-	-	-	269
Derivative financial assets	-	-	-	-	-	17,323	17,323
Total financial assets	**1,222,234**	**129,727**	**246,000**	**150,405**	**139,084**	**9,555**	**1,897,005**
Non-financial assets	-	-	-	-	-	4,968	4,968
Total assets	**1,222,234**	**129,727**	**246,000**	**150,405**	**139,084**	**14,523**	**1,901,973**
Financial liabilities							
Due to other financial institutions	16,000	-	-	-	-	7	16,007
Deposits from customers	171,886	72,064	102,675	10	-	938	347,573
Debt securities issued	525,837	-	-	285,000	235,000	10,922	1,056,759
Due to related parties	65,580	-	71,459	-	42,876	543	180,458
Subordinated debt	15,000	-	-	-	-	88	15,088
Derivative financial liabilities	-	-	-	-	-	27,203	27,203
Total financial liabilities	**794,303**	**72,064**	**174,134**	**285,010**	**277,876**	**39,701**	**1,643,088**
Non-financial liabilities						6,340	6,340
Total liabilities	**794,303**	**72,064**	**174,134**	**285,010**	**277,876**	**46,041**	**1,649,428**
On-balance sheet interest rate repricing gap	**427,931**	**57,663**	**71,866**	**(134,605)**	**(138,792)**	**(31,518)**	**252,545**
Net derivative notional amount	(374,935)	-	-	275,000	99,935	-	-
Net interest rate repricing gap	**52,996**	**57,663**	**71,866**	**140,395**	**(38,857)**	**(31,518)**	**252,545**

[1] *Included in Loans in advances under "Non-interest bearing" category are provisions of impairment losses and accrued interest on loans.*

21. 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 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Cash and cash equivalents:				
Cash and balances with central banks	6	82,800	59,691	151,469
Due from other financial institutions (call or original maturity of 3 months or less)[1]		60,973	163,904	63,825
Due from related parties[2]	17	269	2,218	414
Total Cash and cash equivalent		**144,042**	**225,813**	**215,708**
Investment securities				
Registered bank securities (net of provision)	8	25,671	6,500	6,536
Multilateral development banks and other international organisation [3]	8	55,662	26,625	26,203
Total liquidity portfolio		**225,375**	**258,938**	**248,447**

[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.*
[3] *Comparative information for 30 June 2020 has been restated to ensure consistency and presentation with current year reporting.*

(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 2021 Unaudited	On Demand $000	0-3 months $000	3-12 months $000	1-5 years $000	Over 5 years $000	Total $000	Carrying Amount $000
Non derivative financial liabilities							
Due to other financial institutions	-	13	50	16,110	-	16,173	16,007
Deposits from customers	66,388	106,117	176,349	10	-	348,864	347,573
Debt securities issued	-	2,131	156,973	933,506	-	1,092,610	1,056,759
Due to related parties	51,288	14,881	71,727	45,228	-	183,124	180,458
Subordinated Debt	-	125	417	15,417	-	15,959	15,088
Lease liabilities	-	16	44	319	360	739	678
Total non-derivative financial liabilities	**117,676**	**123,283**	**405,560**	**1,010,590**	**360**	**1,657,469**	**1,616,563**
Derivative financial liabilities							
Net settled	-	13	2,901	3,302	-	6,216	
Gross settled – cash inflow	-	(802)	(144,911)	(188,914)	-	(334,627)	
Gross settled – cash outflow	-	1,385	148,242	205,969	-	355,596	
Total derivative financial liabilities	**-**	**596**	**6,232**	**20,357**	**-**	**27,185**	**27,203**

(c) Regulatory Liquidity Ratios

The Bank is subject to the conditions of the Reserve Bank's liquidity policy as set out in BS13 *Liquidity Policy* . The Bank has the appropriate internal framework and tools for liquidity risk management to ensure compliance with these regulatory requirements, as well as internal targets and limits.

The following table shows the average regulatory liquidity ratios over the three-month period ended on 30 June 2021 and the three month period ended on 31 March 2021.

As at	Reserve Bank minimum ratio requirements	Unaudited 30 Jun 2021 %	Unaudited 31 Mar 2021 %
Liquidity ratios			
The one-week mismatch ratio	0%	10.8%	10.6%
The one-month mismatch ratio	0%	9.7%	11.4%
The core funding ratio[1]	50%	92.3%	82.6%

[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.

22. 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 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Total funding comprises			
Due to other financial institutions	16,007	-	-
Deposits from customers	347,573	242,404	314,664
Debt securities issued	1,056,759	1,059,385	1,074,472
Due to related parties	180,458	352,079	155,057
Subordinated debt	15,088	15,086	15,087
Total funding	**1,615,885**	**1,668,954**	**1,559,280**
Concentration of funding by industry sector			
Accommodation and food services	7,026	-	-
Agriculture, forestry and fishing	15,214	1,007	1,143
Construction	19,223	16,392	24,789
Financial and insurance services	1,256,868	1,190,545	1,235,574
Households	7,347	22,265	19,597
Manufacturing	184	1,563	51
Local government administration	40,026	-	60,026
Rental, hiring and real estate services	26,253	7,127	6,925
Retail trade	269	170	494
Transport, postal and warehousing	10,001	30,096	20,007
Wholesale trade	290	9,881	449
Other	37,638	22,743	20,081
Subtotal	**1,420,339**	**1,301,789**	**1,389,136**
Due to related parties (including Subordinated debt)	195,546	367,165	170,144
Total funding	**1,615,885**	**1,668,954**	**1,559,280**
Concentration of funding by geographical areas [1]			
New Zealand	1,454,363	1,412,882	1,399,375
China	145,562	222,670	143,571
Australia	15,088	30,666	15,087
Rest of Overseas	872	2,736	1,247
Total funding	**1,615,885**	**1,668,954**	**1,559,280**

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

23. 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 a fixed floor (as a % 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 Operational Risk capital floor was lowered from 10% to 8% on the 13th April 2021 by the Reserve Bank.

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.
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. This restriction was eased on 22 April 2021, which allowed the bank to pay up to 50% of its earnings as dividends to its shareholders based on its capital position in relation to the buffer ratio.

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 to 1 July 2021. 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 16.98% as at 30 June 2021. 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 2021. There were no significant capital initiatives undertaken during the six months period ended 30 June 2021.

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 2021. During the six months period ended 30 June 2021, 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 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $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)	53,391	33,569	41,665
Accumulated other comprehensive income and other disclosed reserves [1]	(24)	179	11
Less deductions from Common Equity Tier 1 capital			
Intangible assets	21	60	39
Cash flow hedge reserve	(99)	(30)	(194)
Deferred tax assets	3,748	3,587	4,043
Total Common Equity Tier 1 capital	**248,875**	**229,309**	**236,966**
Additional Tier 1 capital	-	-	-
Total Additional Tier 1 capital	-	-	-
Total Tier 1 capital	**248,875**	**229,309**	**236,966**
Tier 2 capital			
Subordinated notes	6,000	9,000	9,000
Less deductions from Tier 2 capital			
Allowance for tax under BS2A	-	-	-
Total Tier 2 capital	**6,000**	9,000	9,000
Total capital	**254,875**	**238,309**	**245,966**

[1] *Accumulated other comprehensive income and other disclosed reserves consist of FVOCI revaluation reserve of $75,000) and cash flow hedge reserve of ($99,000).*

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 2021 (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	82,800	0%	-	-
Multilateral development banks and other international organisation	55,662	-	-	-
Public sector entities	-	-	-	-
Banks - 20% weighting	46,223	20%	9,245	740
Banks - 50% weighting	40,690	50%	20,345	1,628
Banks - 100% weighting	-	100%	-	-
Corporate-without recognised mitigation	940,317	100%	940,317	75,225
Residential mortgages (owner occupied) not past due-LVR up to 80%	358,506	35%	125,477	10,038
Residential mortgages (investment) not past due-LVR up to 80%	356,249	40%	142,500	11,400
Past due residential mortgages	-	-	-	-
Other Lending	3,493	100%	3,493	279
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	1,199	100%	1,199	96
Non-risk weighted assets	16,834	-	-	-
Total on-balance sheet exposures	**1,901,973**		**1,242,576**	**99,406**

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

As at 30 June 2021 (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	70	100%	70	0%	-	-
Revolving underwriting facility	38,962	50%	19,481	93%	18,054	1,444
Performance-related contingency	1,244	50%	622	88%	550	44
Other commitments where original maturity is more than one year	91,417	50%	45,709	100%	45,709	3,657
Other commitments where original maturity is less than or equal to one year	48,881	20%	9,776	38%	3,751	300
Market related contracts [1]						
(a) Foreign exchange contracts	458,914	NA	26,863	46%	12,357	989
(b) Interest rate contracts	585,796	NA	17,463	64%	11,176	894
(c) Credit valuation adjustment					18,005	1,440
Total off-balance sheet exposures	**1,225,284**		**119,984**		**109,602**	**8,768**

[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 2021 (Unaudited)	Does not exceed 80% $000	Exceeds 80% and not 90% $000	Exceeds 90% $000	Total $000
Loan-to-valuation ratio				
On-balance sheet exposures				
Residential mortgages - Owner occupied	358,506	-	-	358,506
Residential mortgages - Investment	356,249	-	-	356,249
Total On-balance sheet exposures	**714,755**	**-**	**-**	**714,755**
Off-balance sheet exposures	48,881	-	-	48,881
Value of exposures	**763,636**	**-**	**-**	**763,636**

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:

EY

Reconciliation of residential mortgage-related amount

As at 30 June 2021 (Unaudited)	Note	$000
Total Residential mortgages	9	720,781
Reconciling items:		
Less: - Provision for impairment losses on credit exposures	18 (a)	(6,026)
On-balance sheet exposures	18 (a)	**714,755**
Off-balance sheet exposures		**48,881**
Total Residential mortgages exposures		**763,636**

Credit risk mitigation

As at 30 June 2021 (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	70	-
Corporate	144	-
Residential mortgage	-	-
Other	-	-
Total	**214**	-

Operational risk

As at 30 June 2021 (Unaudited)	Implied weighted exposure $000	Total operational risk capital $000
Operational risk	120,089	9,607

Market risk

As at 30 June 2021 (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	28,189	2,255	30,012	2,401
Foreign currency risk	658	53	658	53
Equity risk	-	-	-	-
Total	**28,847**	**2,308**	**30,670**	**2,454**

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 2021 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 2021 (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	2,021,957	1,352,178	108,174
Operational risk	n/a	120,089	9,607
Market risk	n/a	28,847	2,308
Total	**2,021,957**	**1,501,114**	**120,089**

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 as at 30 June 2021 is $34.5 million (30 June 2020: $53.1 million; 31 December 2020: $35.3 million). Further refinements have been made in 2021 to the ICAAP methodologies and assumptions which improved the quantification of the residual risk not explicitly captured in the Bank's capital ratios and resulted in a slight reduction in the Bank's internal capital allocation. The Board has included an extra 2% capital buffer to cover the additional material risks, taking the total capital ratio to a minimum of 12.5%.

Capital ratios of the Bank

As at	Unaudited 30 Jun 2021	Unaudited 30 Jun 2020	Unaudited 31 Dec 2020
Capital adequacy ratios			
Common Equity Tier 1 capital ratio	16.58%	15.16%	16.71%
Tier 1 capital ratio	16.58%	15.16%	16.71%
Total capital ratio	16.98%	15.76%	17.35%
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	8.98%	7.76%	9.35%
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 2021, 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 2021	Unaudited 30 Jun 2020	Unaudited 31 Dec 2020
Ultimate Parent Bank Group			
Common Equity Tier 1 capital ratio	13.43%	13.15%	13.62%
Tier 1 capital ratio	14.01%	13.88%	14.22%
Total capital ratio	16.71%	16.62%	17.06%
Ultimate Parent Bank			
Common Equity Tier 1 capital ratio	13.37%	13.09%	13.63%
Tier 1 capital ratio	13.86%	13.78%	14.18%
Total capital ratio	16.77%	16.70%	17.15%

Other Disclosures

24. 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.

25. 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 2021 were:

As at	Unaudited [1] 30 Jun 2021 $000	Unaudited 30 Jun 2020 $000	Audited 31 Dec 2020 $000
Credit related commitments and contingent liabilities			
Commitments to extend credit [1]	179,260	242,684	172,751
Financial guarantees	-	89	-
Non-financial guarantees	1,314	4,894	5,994
Total Credit related commitments and contingent liabilities	**180,574**	**247,667**	**178,745**

[1] *Commitments to extend credit includes provision for Off-balance sheet credit related business.*

There were no other contingent liabilities and capital commitments as at 30 June 2021 (30 June 2020: nil, 31 December 2020: nil).

26. 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.

Abbreviations

The following abbreviations are used throughout the report.

ALCO	Asset and Liability committee
ANZSIC	Australia and New Zealand Standard Industrial Classifications
BARC	Board Audit, Risk and Compliance Committee
CBIRC	China Banking and Insurance Regulatory Commission
CET1	Common Equity Tier 1
CFP	Contingency funding plan
EAD	Exposure at default
ECL	Expected credit loss
EWI	Early warning indicator
FC	Foreign Currency
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
ISDA	International Swap and Derivatives Association
LGD	Loss given default
LVR	Loan-to-valuation ratio
NII	Net interest income
NZ GAAP	New Zealand Generally Accepted Accounting Principles
NZ IAS	New Zealand equivalent to International Accounting Standards
NZ IFRS	New Zealand equivalent to International Financial Reporting Standards
PD	Probability of default
POCI	Purchased and originated credit impaired
RBNZ	Reserve Bank of New Zealand
RMB	Chinese Yuan Renminbi
SICR	Significant increase in credit risk
VaR	Value at risk

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Independent auditor's review report to the Shareholder of China Construction Bank (New Zealand) Limited

Conclusions

We have reviewed 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 of China Construction Bank (New Zealand) Limited (the "Bank") for the six month period ended 30 June 2021 as included on pages 8 to 38 of the Disclosure Statement. The interim financial statements and supplementary information comprise:

- the balance sheet of the Bank as at 30 June 2021;
- the statement of comprehensive income, statement of changes in equity and cash flow statement for the six months then ended;
- the notes to the interim financial statements including a statement of accounting policies and selected explanatory information for the Bank; and
- the supplementary information required by Schedules 5, 7, 9, 13, 16 and 18 of the Order.

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 required to be disclosed under Schedules 5, 7, 9, 13, 16 and 18 of the Order (together 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* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34);
- the supplementary information (excluding information relating to capital adequacy disclosed in Note 23 and the regulatory liquidity ratios disclosed in Note 21) required to be disclosed under 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 23) and regulatory liquidity requirements (being the regulatory liquidity ratios disclosed in Note 21) 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.

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 auditor's 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 the conclusions we have formed.

Basis for conclusions

We conducted our review in accordance with the New Zealand Standard on Review Engagements ("NZ SRE 2410 *(Revised)*") *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of interim financial statements and supplementary information* section of our report. We are independent of the Bank in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provides audit services to 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. We have no other relationship with, or interest in, the Bank.

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Directors' responsibilities for the interim financial statements and supplementary information

The Directors of the Bank (the "Directors") are responsible, on behalf of the Bank, for the preparation and fair presentation of the interim financial statements in accordance with Clause 25 of the Order, which requires the interim financial statements to comply with NZ IAS 34 and IAS 34, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of interim financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the review of interim financial statements and supplementary information

Our responsibility is to express a conclusion on the interim financial statements and the supplementary information based on our review.

NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that:

- the interim financial statements (excluding the supplementary information), taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34 and IAS 34.
- the supplementary information (excluding information relating to capital adequacy in Note 23 and the regulatory liquidity ratios disclosed in Note 21) does not fairly state in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18.
- the supplementary information relating to capital adequacy disclosed in Note 23 and regulatory liquidity requirements (being the regulatory liquidity ratios disclosed in Note 21) 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.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on any element of this Disclosure Statement.

The engagement partner on the review resulting in this independent auditor's review report is Emma Winsloe.

Ernst + Young

Chartered Accountants
Auckland
11 August 2021