

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

**Disclosure Statement**

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**For the six months ended  
30 June 2021**

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## Disclosure Statement

For the six months ended 30 June 2021

### General Information and Definitions

Certain information contained in this Half Year Disclosure Statement for the six month ended 30 June 2021, is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and is in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement:

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

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

### Corporate Information

#### Registered Bank

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

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

**The People's Republic of China**

Address for Service - Branch:

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

**New Zealand**

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

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

#### Subordination of claims of creditors

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

#### Requirement to hold excess assets over deposit liabilities

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

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

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

## Guarantee Arrangements

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

## Limits on Material Financial Support by the Ultimate Parent Bank

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

## Changes to Directorate

The following changes to the composition of the Board have occurred since the publication of Overseas Bank's full year Disclosure Statement for the year ended 31 December 2020:

- Mr Jiang Wang was appointed as a Executive Director of the Board in March 2021.
- Mr Jiajin Lyu retired as a Executive Director of the Board in May 2021.
- Ms Anita Yuen Mei Fung retired as a Non-executive Director of the Board in June 2021.
- Mr Carl Walter retired as a Non-executive Director of the Board in June 2021.
- Mr William Coen was appointed as a Non-executive Director of the Board in June 2021.

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

## New Zealand Chief Executive Officer of the Branch

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

## Credit Ratings of the Overseas Bank

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

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

A credit rating is not a recommendation to buy, sell or hold securities of the Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agencies. Investors in the Bank's securities are cautioned to evaluate each rating independently of any other rating. There have been no changes to any of the above credit ratings in the two years prior to the signing date of this Disclosure Statement.

In 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.

### 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.			

### Pending Proceedings or Arbitration

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

### Conditions of Registration

The Branch and CCBNZL have complied with all conditions of registration over the accounting period. There have been no changes to the conditions of registration between 1 January 2021 to 30 June 2021 for the Branch.

### Other Material Matters

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

### Auditor

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

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

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

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

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry, that, for the six months period ended 30 June 2021:

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

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



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**Mr Jun Qi**  
**Dated: 27 August 2021**

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



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**DIRECTOR - Mr Guoli Tian**  
**Dated: 27 August 2021**

## 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	47,477	48,149	95,283
Interest expense	2	(16,995)	(27,691)	(46,618)
Other interest (expense)/income	2	-	(19)	(19)
<b>Net interest income</b>	2	<b>30,482</b>	<b>20,439</b>	<b>48,646</b>
Net non-interest income	3	3,374	3,764	2,019
<b>Total operating income</b>		<b>33,856</b>	<b>24,203</b>	<b>50,665</b>
Operating expenses		(9,225)	(8,835)	(18,273)
Impairment (losses) / write-back on credit exposures	4	1,154	(6,060)	(7,903)
<b>Profit/ (Loss) before income tax</b>		<b>25,785</b>	<b>9,308</b>	<b>24,489</b>
Income tax (expense) / benefit		(7,342)	(2,687)	(6,948)
<b>Profit after income tax attributable to the owner of the NZ Banking Group</b>		<b>18,443</b>	<b>6,621</b>	<b>17,541</b>
<b>Other comprehensive income, net of tax</b>				
Other comprehensive income which will not be reclassified to profit or loss		-	-	-
Other comprehensive income which may be reclassified to profit or loss		58	635	280
<b>Total other comprehensive income, net of tax</b>		<b>58</b>	<b>635</b>	<b>280</b>
<b>Total comprehensive income attributable to the owner of the NZ Banking Group</b>		<b>18,501</b>	<b>7,256</b>	<b>17,821</b>

## Statement of Changes in Equity

For the 6 months ended 30 June 2021 (Unaudited)	NZ Banking Group								Total \$000
	NZ Branch				CCBNZL				
	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	
Balance at 01 January 2021	-	11,484	(116)	-	199,178	41,665	(194)	205	252,222
Profit after income tax	-	6,717	-	-	-	11,726	-	-	18,443
Other comprehensive income	-	-	93	-	-	-	95	(130)	58
<b>Total comprehensive income for the period</b>	-	<b>6,717</b>	<b>93</b>	-	-	<b>11,726</b>	<b>95</b>	<b>(130)</b>	<b>18,501</b>
<b>Balance at 30 June 2021</b>	-	<b>18,201</b>	<b>(23)</b>	-	<b>199,178</b>	<b>53,391</b>	<b>(99)</b>	<b>75</b>	<b>270,723</b>

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

For the 12 months ended 31 December 2020 (Audited)	NZ Banking Group								Total \$000
	NZ Branch				CCBNZL				
	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	Share Capital \$000	Retained Earnings \$000	Cash Flow Hedge Reserve \$000	FVOCI Reserve \$000	
Balance at 01 January 2020	-	6,740	4	-	199,178	28,868	(337)	(52)	234,401
Profit after income tax	-	4,744	-	-	-	12,797	-	-	17,541
Other comprehensive income	-	-	(120)	-	-	-	143	257	280
<b>Total comprehensive income for the period</b>	-	<b>4,744</b>	<b>(120)</b>	-	-	<b>12,797</b>	<b>143</b>	<b>257</b>	<b>17,821</b>
<b>Balance at 31 December 2020</b>	-	<b>11,484</b>	<b>(116)</b>	-	<b>199,178</b>	<b>41,665</b>	<b>(194)</b>	<b>205</b>	<b>252,222</b>

These interim financial statements are to be read in conjunction with the notes on pages 11 - 34.



## Balance Sheet

As at	Note	Unaudited 30 Jun 2021 \$000	Unaudited 30 Jun 2020 \$000	Audited 31 Dec 2020 \$000
<b>Assets</b>				
Cash and balances with central bank	6	82,800	59,691	151,469
Due from other financial institutions	7	68,439	262,636	379,473
Investment securities	8	81,333	33,125	32,739
Loans and advances	9	3,149,050	3,016,470	2,712,557
Due from related parties	17	602	5,215	1,332
Derivative financial assets	10	24,881	59,802	26,466
Property, plant and equipment	11	1,076	1,145	1,559
Intangible assets		21	60	39
Deferred tax assets		5,126	4,718	5,526
Other assets		157	332	205
<b>Total assets</b>		<b>3,413,485</b>	<b>3,443,194</b>	<b>3,311,365</b>
<b>Liabilities</b>				
Due to other financial institutions	12	331,124	634,056	503,118
Deposits from customers	13	421,957	299,854	419,719
Debt securities issued	14	1,056,759	1,059,385	1,074,472
Due to related parties	17	1,256,567	1,123,334	909,997
Subordinated debt	17	15,088	15,086	15,087
Derivative financial liabilities	10	52,384	63,758	126,339
Current tax liabilities		3,514	2,328	5,349
Other liabilities	15	5,369	3,736	5,062
<b>Total liabilities</b>		<b>3,142,762</b>	<b>3,201,537</b>	<b>3,059,143</b>
<b>Head Office account</b>				
Branch capital		-	-	-
Retained earnings/(loss)		18,201	8,660	11,484
Reserves		(23)	71	(116)
<b>Total Head Office account</b>		<b>18,178</b>	<b>8,731</b>	<b>11,368</b>
<b>Equity</b>				
Share capital		199,178	199,178	199,178
Retained earnings		53,391	33,569	41,665
Reserves		(24)	179	11
<b>Total equity</b>		<b>252,545</b>	<b>232,926</b>	<b>240,854</b>
<b>Total equity attributable to the owner of the NZ Banking Group</b>		<b>270,723</b>	<b>241,657</b>	<b>252,222</b>
<b>Total liabilities and equity</b>		<b>3,413,485</b>	<b>3,443,194</b>	<b>3,311,365</b>
Total interest earning and discount bearing assets		3,397,638	3,387,596	3,290,300
Total interest and discount bearing liabilities		3,065,999	3,102,171	2,898,115

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



**DIRECTOR - Guoli TIAN**  
Dated: 27 August 2021



**DIRECTOR - Jiang WANG**  
Dated: 27 August 2021

These interim financial statements are to be read in conjunction with the notes on pages 11 - 34.

## 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
<b>Cash flows from operating activities</b>				
Interest received		47,360	47,344	95,243
Interest paid <sup>1</sup>		(18,706)	(34,065)	(50,174)
Income received from financial instruments designated at FVOCI / FVTPL		351	1,846	2,041
Non-interest income received		(52,243)	18,040	75,779
Non-interest expense paid		40,321	(395)	(4,305)
Operating expenses paid		(8,831)	(8,347)	(16,227)
Income taxes paid		(8,851)	(7,258)	(9,168)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(599)</b>	<b>17,165</b>	<b>93,189</b>
Net changes in operating assets and liabilities:				
Net decrease/(increase):				
GST receivable		30	37	(1)
Other assets		17	(184)	(19)
Loans and advances		(434,593)	(718,161)	(417,402)
Due from related parties		(4)	102,895	104,063
Net increase/(decrease):				
Due to other financial institutions		(171,994)	201,989	71,051
Deposits from customers		3,640	(12,018)	106,958
<b>Net changes in operating assets and liabilities</b>		<b>(602,904)</b>	<b>(425,442)</b>	<b>(135,350)</b>
<b>Net cash flows provided by/ (used in) operating activities</b>	5	<b>(603,503)</b>	<b>(408,277)</b>	<b>(42,161)</b>
<b>Cash flows from investing activities</b>				
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)
<b>Net cash flows used in investing activities</b>		<b>(48,879)</b>	<b>147,133</b>	<b>167,466</b>
<b>Cash flows from financing activities</b>				
Amount borrowed from related parties		(122,485)	(162,456)	195,377
Repayments of due to related parties		414,886	273,210	(299,083)
Issuance of debt issues	14	165,000	155,000	385,000
Repayments of debt securities	14	(185,000)	(95,000)	(270,500)
Repayment of principal portion of lease liabilities		(456)	(438)	(899)
<b>Net cash flows (used in)/ provided by financing activities</b>		<b>271,945</b>	<b>170,316</b>	<b>9,895</b>
Net increase/ (decrease) in cash and cash equivalents		(380,437)	(90,828)	135,200
<b>Cash and cash equivalents at beginning of the year</b>		<b>532,278</b>	<b>397,078</b>	<b>397,078</b>
<b>Cash and cash equivalents at end of the period</b>	21 (a)	<b>151,841</b>	<b>306,250</b>	<b>532,278</b>
<b>Cash and cash equivalents at end of the period comprise:</b>				
Due from other financial institutions (call or original maturity of 3 months or less)	21 (a)	68,439	242,508	379,473
Cash and balances with central banks	21 (a)	82,800	59,691	151,469
Due from related parties (nostro account)	21 (a)	602	4,051	1,336
<b>Cash and cash equivalents at end of the period</b>		<b>151,841</b>	<b>306,250</b>	<b>532,278</b>

<sup>1</sup> 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 Cashflows from financing activities.

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

#### 1.1 Reporting Entity

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

These financial statements were approved for issue by the Board of Directors of the Overseas Bank (the "Board") on 27 August 2021. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the NZ Banking Group's financial statements for the full year ended 31 December 2020.

#### 1.2 Basis of Preparation

These financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and Generally Accepted Accounting Practice in New Zealand ("GAAP"). 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 on a 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 Basis of Aggregation

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

#### 1.4 Changes in accounting policies

The accounting policies and methods of computation are consistent with those of the NZ Banking Group's financial statements for the full year ended 31 December 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 NZ Banking Group 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 30 Jun 2021 6 months \$000	Unaudited 30 Jun 2020 6 months \$000	Audited 31 Dec 2020 12 months \$000
<b>Interest income</b>			
<sup>1</sup> Cash and balances with central bank	204	144	310
<sup>1</sup> Due from other financial institutions	2,264	1,459	1,749
<sup>1</sup> Loans and advances *	44,681	45,971	92,359
<sup>1</sup> Due from related parties	96	257	349
<sup>2</sup> Investment securities	232	318	516
<b>Total interest income</b>	<b>47,477</b>	<b>48,149</b>	<b>95,283</b>
<b>Interest expense</b>			
<sup>3</sup> Due to other financial institutions	(646)	(5,077)	(7,099)
<sup>3</sup> Deposits and other borrowings	(1,855)	(2,967)	(5,328)
<sup>3</sup> Due to related parties	(6,673)	(9,053)	(15,618)
<sup>3</sup> Debt securities issued	(7,812)	(10,578)	(18,541)
<sup>3</sup> Lease Liabilities	(9)	(16)	(32)
<b>Total interest expense</b>	<b>(16,995)</b>	<b>(27,691)</b>	<b>(46,618)</b>
<b>Other interest (expense)/income</b>			
<sup>4</sup> Investment securities	-	264	264
<sup>4</sup> Due to related party	-	(283)	(283)
<b>Total other interest (expense)/income</b>	<b>-</b>	<b>(19)</b>	<b>(19)</b>
<b>Total net interest income</b>	<b>30,482</b>	<b>20,439</b>	<b>48,646</b>

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

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

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

<sup>4</sup> Interest earned on financial assets 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 30 Jun 2021 6 months \$000	Unaudited 30 Jun 2020 6 months \$000	Audited 31 Dec 2020 12 months \$000
<b>Fee income</b>			
Lending and credit facility related fee income	3,321	4,066	6,231
Other fee expense	(110)	(273)	(240)
Trade finance and other fee income	270	318	631
Management fee income	-	-	-
<b>Total fee income</b>	<b>3,481</b>	<b>4,111</b>	<b>6,622</b>
<b>Other income (expense)</b>			
Net ineffectiveness on qualifying hedges	377	141	(79)
Net gain/(loss) on derivatives	(484)	(432)	(4,468)
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
<b>Total other income (expense)</b>	<b>(107)</b>	<b>(347)</b>	<b>(4,603)</b>
<b>Total net non-interest income</b>	<b>3,374</b>	<b>3,764</b>	<b>2,019</b>

#### 4. Impairment losses on credit exposures

	Other financial assets <sup>1</sup> \$000	Loans and advances			Off-balance sheet credit related business <sup>2</sup> \$000	Total impairment loss \$000
		Residential mortgage loans \$000	Corporate exposures \$000	Other exposures \$000		
<b>For the six months ended 30 Jun 2021 (Unaudited)</b>						
Movement in collective provision 12-months ECL	(4)	(854)	(1,567)	377	894	(1,154)
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	-	-	-	-	-	-
<b>Total impairment losses on credit exposures</b>	<b>(4)</b>	<b>(854)</b>	<b>(1,567)</b>	<b>377</b>	<b>894</b>	<b>(1,154)</b>
<b>For the six months ended 30 Jun 2020 (Unaudited)</b>						
Movement in collective provision 12-months ECL	1	2,346	3,663	50	-	6,060
Movement in collective provision Lifetime ECL not credit impaired	-	-	-	-	-	-
Movement in collective provision Lifetime ECL credit impaired	-	-	-	-	-	-
Movement in specific provision Lifetime ECL credit impaired	-	-	-	-	-	-
Bad debts written-off directly to the profit or loss	-	-	-	-	-	-
Bad debts recovered	-	-	-	-	-	-
<b>Total impairment losses on credit exposures</b>	<b>1</b>	<b>2,346</b>	<b>3,663</b>	<b>50</b>	<b>-</b>	<b>6,060</b>
<b>For the year ended 31 December 2020 (Audited)</b>						
Movement in collective provision 12-months ECL	(4)	2,726	5,181	-	-	7,903
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	-	-	-	-	-	-
<b>Total impairment losses on credit exposures</b>	<b>(4)</b>	<b>2,726</b>	<b>5,181</b>	<b>-</b>	<b>-</b>	<b>7,903</b>

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

<sup>2</sup> 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
<b>Reconciliation of profit after income tax to net cash flows from (used in) operating activities</b>			
Profit after income tax	18,443	6,621	17,541
<b>Adjustments:</b>			
Impairment losses on credit exposures	(1,154)	6,060	7,903
Depreciation and amortisation	534	677	1,197
Deduct/(add) items reclassified as financing activities	-	-	-
Income tax expense	(1,508)	(4,571)	(2,220)
Movement in fair value of financial assets and liabilities	(15,297)	13,881	69,455
Movement in interest accruals	(1,618)	(5,503)	(687)
<b>Net (increase)/decrease in operating assets:</b>			
GST receivable	30	37	(1)
Loans and advances	(434,593)	(718,161)	(417,402)
Due from related parties <sup>2</sup>	(4)	102,895	104,063
Other assets	18	(184)	(19)
<b>Net increase/(decrease) in operating liabilities:</b>			
Due to other financial institutions	(171,994)	201,989	71,051
Deposits from customers	3,640	(12,018)	106,958
<b>Net cash flow from (used in) operating activities</b>	<b>(603,503)</b>	<b>(408,277)</b>	<b>(42,161)</b>

<sup>1</sup> Comparative information for 30 June 2020 and 31 December 2020 has been restated to reclassify interest paid on financing activities to Cashflows from operating activities.

<sup>2</sup> The amount of due from related parties excludes nostro balances held with Ultimate Parent Bank.

## Financial Position

### 6. Cash and balances with Central Bank

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

### 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	34,142	11,806	227,168
Placements with other financial institutions – term	34,307	250,851	152,321
Provision for impairment losses	(10)	(21)	(16)
<b>Total amount due from other financial institutions</b>	<b>68,439</b>	<b>262,636</b>	<b>379,473</b>

### 8. Investment securities

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

### 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	1,976,993	2,264,886	1,987,885
Other exposures <sup>1</sup>	471,692	11,168	-
<b>Total gross loans and advances</b>	<b>3,169,466</b>	<b>3,033,076</b>	<b>2,730,148</b>
Unearned income	(7,701)	(3,805)	(2,841)
Loan origination fees	1,364	1,090	1,337
Fair value hedge adjustments	-	384	36
<b>Loans and advances before provisions for impairment</b>	<b>3,163,129</b>	<b>3,030,745</b>	<b>2,728,680</b>
Provision for impairment losses	(14,079)	(14,275)	(16,123)
<b>Total net loans and advances</b>	<b>3,149,050</b>	<b>3,016,470</b>	<b>2,712,557</b>

<sup>1</sup> Other exposures<sup>1</sup> include loan to related party totalling \$20.1m (refer Note 17).

## 10. Derivative financial instruments

	As at 30 Jun 2021 (Unaudited)			As at 30 Jun 2020 (Unaudited)		
	Notional Amount	Fair Values Assets	Fair Values Liabilities	Notional Amount	Fair Values Assets	Fair Values Liabilities
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Held for Trading</b>						
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)
<b>Fair value hedges</b>						
Interest rate swap	390,178	10,024	-	529,942	22,765	(584)
<b>Dual fair value and cash flow hedges</b>						
Cross Currency Interest rate swap	739,193	1,092	(42,354)	554,490	26,517	(2,076)
<b>Economic Hedge</b>						
Forward contracts	-	-	-	986	-	(42)
FX Swaps	459,402	7,355	(3,814)	1,444,897	1,987	(52,836)
<b>Total derivative financial instruments</b>	<b>1,829,534</b>	<b>24,881</b>	<b>(52,384)</b>	<b>2,786,566</b>	<b>59,802</b>	<b>(63,758)</b>
				<b>As at 31 Dec 2020 (Audited)</b>		
<b>Held for Trading</b>						
Interest rate swap				195,617	6,730	(6,519)
Forward contracts				44,418	2,580	(2,563)
FX Swaps				1,610	35	(41)
<b>Fair value hedges</b>						
Interest rate swap				371,501	16,982	(48)
<b>Dual fair value and cash flow hedges</b>						
Cross Currency Interest rate swap				774,387	-	(65,752)
<b>Economic Hedge</b>						
Forward contracts				3,405	-	(157)
FX Swaps				825,796	139	(51,259)
<b>Total derivative financial instruments</b>				<b>2,216,734</b>	<b>26,466</b>	<b>(126,339)</b>

## 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)
<b>Total Property, plant and equipment owned</b>	<b>411</b>	<b>336</b>	<b>456</b>
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
<b>Total Right-of-use asset</b>	<b>665</b>	<b>809</b>	<b>1,103</b>
<b>Total Property, plant and equipment</b>	<b>1,076</b>	<b>1,145</b>	<b>1,559</b>

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
Placements from other financial institutions	315,117	634,056	503,118
Securities sold under agreements to repurchase from central bank	16,007	-	-
<b>Total amount due to other financial institutions</b>	<b>331,124</b>	<b>634,056</b>	<b>503,118</b>

## 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	68,622	60,277	50,816
Term deposits	352,164	237,892	366,329
Demand deposits not bearing interest	1,171	1,685	2,574
<b>Total deposits from customers</b>	<b>421,957</b>	<b>299,854</b>	<b>419,719</b>

The Branch held no retail deposits as at 30 June 2021 (30 June 2020: nil, 31 December 2020: nil).

## 14. Debt securities issued

As at	Unaudited 30 Jun 2021 \$000	Unaudited 30 Jun 2020 \$000	Audited 31 Dec 2020 \$000
<b>Short term debt</b>			
Registered certificate of deposits	-	151,000	160,000
<b>Long term debt</b>			
Medium-term notes	1,045,837	885,833	911,932
<b>Total debt securities issued at face value</b>	<b>1,045,837</b>	<b>1,036,833</b>	<b>1,071,932</b>
<b>Movement in debt securities issued</b>			
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 <sup>1</sup>	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
<b>Total debt securities</b>	<b>1,056,759</b>	<b>1,059,385</b>	<b>1,074,472</b>

<sup>1</sup> 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
<b>Other Liabilities</b>				
Trade creditors and other accrued expenses		500	510	431
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	894	-	-
<b>Total Other Liabilities</b>		<b>5,369</b>	<b>3,736</b>	<b>5,062</b>

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

	Unaudited 30 Jun 2021 \$000	Unaudited 30 Jun 2020 \$000	Audited 31 Dec 2020 \$000
<b>(a) Amounts recognised in Profit or loss</b>			
Interest on lease liabilities	9	16	32
Depreciation charge on Right-of-use asset	439	419	858
<b>Total amounts recognised in profit or loss</b>	<b>448</b>	<b>435</b>	<b>890</b>
<b>(b) Maturity analysis contracted undiscounted cash flows</b>			
Less than one year	60	780	489
One to five years	319	70	305
More than five years	360	-	402
<b>Total undiscounted lease liabilities</b>	<b>739</b>	<b>850</b>	<b>1,196</b>
<b>(c) Lease liabilities included in Other liabilities</b>			
Current	54	838	473
Non-current	624	-	651
<b>Total Lease liabilities included in Other liabilities</b>	<b>678</b>	<b>838</b>	<b>1,124</b>
<b>(d) Amounts recognised in the Statement of cash flows</b>			
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 NZ Banking Group determines the fair value of a financial instrument based on the quoted price.

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

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

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

#### “Level 1” – Quoted market price

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

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

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

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

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

All of the NZ Banking Group’s financial instruments are recognised and measured at fair value on a recurring basis within Level 2. The NZ Banking Group considers if transfers between levels, have occurred at the beginning of the reporting period.

There have been no transfers between Level 1 and 2 of the fair value hierarchy during the period ended 30 June 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 not measured at fair value**

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

As at 30 June 2021 (Unaudited)	At amortised cost \$000	At FVOCI \$000	At FVTPL \$000	Fair value - Derivative instruments \$000	Total Carrying amount \$000	Fair value \$000
<b>Financial assets</b>						
Cash and balances with central banks	82,800	-	-	-	82,800	82,800
Due from other financial institutions	68,439	-	-	-	68,439	68,439
Investment securities	-	81,333	-	-	81,333	81,333
Loans and advances	3,149,050	-	-	-	3,149,050	3,410,100
Due from related parties	602	-	-	-	602	602
Derivative financial assets	-	-	-	24,881	24,881	24,881
Other assets	60	-	-	-	60	60
<b>Total financial assets</b>	<b>3,300,951</b>	<b>81,333</b>	<b>-</b>	<b>24,881</b>	<b>3,407,165</b>	<b>3,668,215</b>
<b>Financial liabilities</b>						
Due to other financial institutions	331,124	-	-	-	331,124	331,193
Deposits from customers	421,957	-	-	-	421,957	422,799
Debt securities issued	1,056,759	-	-	-	1,056,759	1,087,109
Due to related parties	1,256,567	-	-	-	1,256,567	1,267,167
Subordinated Debt	15,088	-	-	-	15,088	15,958
Derivative financial liabilities	-	-	-	52,384	52,384	52,384
Lease liabilities	678	-	-	-	678	678
<b>Total financial liabilities</b>	<b>3,082,173</b>	<b>-</b>	<b>-</b>	<b>52,384</b>	<b>3,134,557</b>	<b>3,177,288</b>
<b>As at 30 June 2020 (Unaudited)</b>						
<b>Financial assets</b>						
Cash and balances with central banks	59,691	-	-	-	59,691	59,691
Due from other financial institutions	262,636	-	-	-	262,636	262,038
Investment securities	-	33,125	-	-	33,125	33,125
Loans and advances	3,016,470	-	-	-	3,016,470	3,402,463
Due from related parties	5,215	-	-	-	5,215	5,215
Derivative financial assets	-	-	-	59,802	59,802	59,802
Other assets	52	-	-	-	52	52
<b>Total financial assets</b>	<b>3,344,064</b>	<b>33,125</b>	<b>-</b>	<b>59,802</b>	<b>3,436,991</b>	<b>3,822,386</b>
<b>Financial liabilities</b>						
Due to other financial institutions	634,056	-	-	-	634,056	635,674
Deposits from customers	299,854	-	-	-	299,854	301,764
Debt securities issued	1,059,385	-	-	-	1,059,385	1,076,008
Due to related parties	1,123,334	-	-	-	1,123,334	1,127,310
Subordinated Debt	15,086	-	-	-	15,086	16,243
Derivative financial liabilities	-	-	-	63,758	63,758	63,758
Lease liabilities	838	-	-	-	838	838
<b>Total financial liabilities</b>	<b>3,132,553</b>	<b>-</b>	<b>-</b>	<b>63,758</b>	<b>3,196,311</b>	<b>3,221,595</b>

As at 31 December 2020 (Audited)	At amortised cost \$000	At FVOCI \$000	At FVTPL \$000	Fair value - Derivative instruments \$000	Total Carrying amount \$000	Fair value \$000
<b>Financial assets</b>						
Cash and balances with central banks	151,469	-	-	-	151,469	151,469
Due from other financial institutions	379,473	-	-	-	379,473	379,473
Investment securities	-	32,739	-	-	32,739	32,739
Loans and advances	2,712,557	-	-	-	2,712,557	3,012,815
Due from related parties	1,332	-	-	-	1,332	1,332
Derivative financial assets	-	-	-	26,466	26,466	26,466
Other assets	90	-	-	-	90	90
<b>Total financial assets</b>	<b>3,244,921</b>	<b>32,739</b>	<b>-</b>	<b>26,466</b>	<b>3,304,126</b>	<b>3,604,384</b>
<b>Financial liabilities</b>						
Due to other financial institutions	503,118	-	-	-	503,118	503,118
Deposits from customers	419,719	-	-	-	419,719	420,871
Debt securities issued	1,074,472	-	-	-	1,074,472	1,091,885
Due to related parties	909,997	-	-	-	909,997	919,151
Subordinated Debt	15,087	-	-	-	15,087	16,192
Derivative financial liabilities	-	-	-	126,339	126,339	126,339
Lease liabilities	1,124	-	-	-	1,124	1,124
<b>Total financial liabilities</b>	<b>2,923,517</b>	<b>-</b>	<b>-</b>	<b>126,339</b>	<b>3,049,856</b>	<b>3,078,680</b>

**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 20 "Fair Value of Financial Instruments" in the NZ Banking Group's full year Disclosure Statement for the year ended 31 December 2020.

**17. Related Party Transactions**

During the period ended 30 June 2021, the NZ Banking Group has entered into or had in place various financial transactions with members of the Overseas Banking Group, represented by Ultimate Parent Bank.

**Nature of transactions and balances with related parties**

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

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

**Ultimate Parent Bank**

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

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

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

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

	Unaudited 30 Jun 2021 \$000	Unaudited 30 Jun 2020 \$000	Audited 31 Dec 2020 \$000
<b>Recognised in</b>			
<b>Statement of Comprehensive Income</b>			
Interest income <sup>1</sup>	562	3,063	4,540
Interest expense <sup>2</sup>	(6,090)	(10,624)	(17,587)
<b>Non-interest income / (expense)</b>			
Unrealised gain/(loss) on derivatives	(539)	(10)	(2,371)
<b>Total Profit or Loss impact</b>	<b>(6,067)</b>	<b>(7,571)</b>	<b>(15,418)</b>
<b>Balance Sheet</b>			
Due from related parties			
Cash and liquid assets	602	4,051	1,336
Loans and advances	20,123	11,168	-
Other assets / (liabilities) <sup>3</sup>	-	1,164	(4)
Derivative financial assets	5,819	37,134	6,511
<b>Total Assets</b>	<b>26,544</b>	<b>53,517</b>	<b>7,843</b>
Subordinated Debt			
Due to related parties			
Borrowings at amortised cost	1,256,567	1,123,334	909,997
Derivative financial liabilities	35,635	16,620	66,370
<b>Total Liabilities</b>	<b>1,307,290</b>	<b>1,155,040</b>	<b>991,454</b>

<sup>1</sup> Included in related party interest income are interest earned on Liquid assets, Loans and advances and Derivative financial assets.

<sup>2</sup> Included in related party interest expense are interest paid on Subordinated debt, Borrowings with related parties and Derivative financial liabilities.

<sup>3</sup> Included in Other assets / (liabilities) are liabilities payable to Ultimate Parent Bank for trade finance related services provided as part of service agreement.

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: \$50,000).

## Risk Management

### A. Risk management disclosure

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed since 31 December 2020.

### 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 the New Zealand households and businesses, including NZ Banking Group'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 NZ Banking Group is not part of scheme, the Bank has provided similar options to defer loan repayment or review loan structure to its customers alongside this package.

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, majority of NZ Banking Group's customers who had taken up the support packages had reverted back to their normal repayment structure, with no retail customers and one wholesale customer that is still on the support package.

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

The NZ Banking Group intends to continue to closely monitor the developments of COVID-19 and actively manage the impact on the NZ Banking Group's financial position and performance. At the date of this document, this evaluation 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 NZ Banking Group remains.

As detailed in Note 25 in the NZ Banking Group's full year Disclosure statement for the year ended 31 December 2020, the NZ Banking Group 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 \$7.2m relative to the equivalent period in 2020.

## 18. Asset Quality

### a) Credit quality information

	FVTPL	Amortised cost			Total loans and advances \$000
	Investment securities \$000	Residential mortgage loans \$000	Corporate exposures \$000	Other exposures \$000	
<b>As at 30 June 2021 (Unaudited)</b>					
Neither past due nor impaired	-	718,744	1,976,993	471,692	3,167,429
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	-	-	-	-	-
<b>Total past due but not impaired</b>	-	<b>2,037</b>	-	-	<b>2,037</b>
<b>Movements in Individually impaired assets</b>					
Balance at beginning of the year	-	-	-	-	-
Additions	-	-	-	-	-
Amounts written off	-	-	-	-	-
Deletions	-	-	-	-	-
<b>Total individually impaired assets</b>	-	-	-	-	-
<b>Total gross loans and advances</b>	-	<b>720,781</b>	<b>1,976,993</b>	<b>471,692</b>	<b>3,169,466</b>
Total Provision for impairment losses	-	(6,026)	(7,676)	(377)	(14,079)
Unearned income	-	-	-	-	(7,701)
Loan origination fees	-	-	-	-	1,364
Fair value hedge adjustments	-	-	-	-	-
<b>Total net loans and advances</b>	-	<b>714,755</b>	<b>1,969,317</b>	<b>471,315</b>	<b>3,149,050</b>

### b) Movement in loans and advances

	Stage 1	Stage 2	Stage 3	Specific Lifetime ECL Credit Impaired	Total
	12-month ECL \$000	Lifetime 12-month ECL \$000	Lifetime 12-month ECL \$000	\$000	
<b>As at 30 June 2021 (Unaudited)</b>					
<b>Residential mortgages</b>					
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)
<b>Gross balance as at 30 June 2021</b>	<b>718,744</b>	<b>2,037</b>	-	-	<b>720,781</b>
<b>Corporate exposures</b>					
Gross balance as at 1 January 2021	1,894,719	93,166	-	-	1,987,885
Additions	573,851	75,298	-	-	649,149
Amounts written off	-	-	-	-	-
Deletions	(659,820)	(221)	-	-	(660,041)
<b>Gross balance as at 30 June 2021</b>	<b>1,808,750</b>	<b>168,243</b>	-	-	<b>1,976,993</b>
<b>Other exposures</b>					
Gross balance as at 1 January 2021	-	-	-	-	-
Additions	724,616	-	-	-	724,616
Amounts written off	-	-	-	-	-
Deletions	(252,924)	-	-	-	(252,924)
<b>Gross balance as at 30 June 2021</b>	<b>471,692</b>	-	-	-	<b>471,692</b>
<b>Total</b>					
Gross balance as at 1 January 2021	2,636,982	93,166	-	-	2,730,148
Additions	1,387,756	77,335	-	-	1,465,091
Amounts written off	-	-	-	-	-
Deletions	(1,025,552)	(221)	-	-	(1,025,773)
<b>Gross balance as at 30 June 2021</b>	<b>2,999,186</b>	<b>170,280</b>	-	-	<b>3,169,466</b>

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

## c) Movement in provision for impairment losses

	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
<b>As at 30 June 2021 (Unaudited)</b>					
Due from other financial institutions <sup>1</sup>	10	-	-	-	10
Investment securities <sup>2</sup>	3	-	-	-	3
Loans and advances	12,430	1,649	-	-	14,079
Off-balance sheet credit related commitments	659	235	-	-	894
<b>Total provision for impairment losses at the end of year for loans</b>	<b>13,102</b>	<b>1,884</b>	<b>-</b>	<b>-</b>	<b>14,986</b>
<b>Residential mortgages</b>					
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	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>5,724</b>	<b>302</b>	<b>-</b>	<b>-</b>	<b>6,026</b>
<b>Corporate exposures</b>					
Balance as at 1 January 2021	7,708	1,535	-	-	9,243
Transferred to collective provision 12-months ECL	-	-	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	-	-	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to specific provision lifetime ECL credit impaired	-	-	-	-	-
Charge to profit or loss excluding transfer between ECL stages	2,765	24	-	-	2,789
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(4,144)	(212)	-	-	(4,356)
Recovery of amounts written off	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>6,329</b>	<b>1,347</b>	<b>-</b>	<b>-</b>	<b>7,676</b>
<b>Other exposures</b>					
Balance as at 1 January 2021	-	-	-	-	-
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	525	-	-	-	525
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(148)	-	-	-	(148)
Recovery of amounts written off	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>377</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377</b>
<b>Total Loans and Advances</b>					
Balance as at 1 January 2021	14,588	1,535	-	-	16,123
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	4,619	24	-	-	4,643
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(6,475)	(212)	-	-	(6,687)
Recovery of amounts written off	-	-	-	-	-
<b>Total provision for impairment losses on Loans &amp; advances as at 30 June 2021</b>	<b>12,430</b>	<b>1,649</b>	<b>-</b>	<b>-</b>	<b>14,079</b>

<sup>1</sup> There was no transfer of collective provision for 'Due from financial institutions' between the stages. The total provision of \$10,000 (30 June 2020: \$21,000, 31 December 2020: \$16,000) (refer Note 7) was represented in 'Collective provision 12-months ECL' during the period.

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



	Stage 1 Collective Provision	Stage 2 Collective Provision	Stage 3 Collective Provision	Stage 3 Specific Provision	Total Provision
	12-months ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Lifetime ECL Credit Impaired	
As at 30 June 2021 (Unaudited)	\$000	\$000	\$000	\$000	\$000

**Off-balance sheet credit related business <sup>1</sup>**

Balance as at 1 January 2021	-	-	-	-	-
Transferred to collective provision 12-months ECL	475	625	-	-	1,100
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	344	-	-	-	344
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	(160)	(390)	-	-	(550)
Recovery of amounts written off	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>659</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>894</b>

<sup>2</sup> 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 \$7.2m 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 NZ Banking Group does not have any assets under administration as at 30 June 2021 (30 June 2020: nil, 31 December 2020: nil).

**Restructured asset**

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

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

As at	On-balance sheet credit exposures			Off-balance sheet credit related commitments		
	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
<b>Industry sector</b>						
Agriculture, Forestry and Fishing	104,570	87,560	77,240	8,573	8,980	8,462
Mining	30,026	30,025	30,026	-	-	-
Manufacturing	268,461	527,557	242,174	206,034	102,366	232,442
Electricity, gas, water and waste services	136,742	256,973	224,282	240,376	354,331	237,579
Construction	394,903	346,571	361,372	123,758	161,991	130,566
Retail trade	-	-	-	144	144	144
Wholesale trade	-	-	-	22,500	-	-
Accommodation and food services	50,348	50,550	50,452	2,500	2,500	2,500
Health care and social assistance	-	11,171	11,200	-	3,832	3,832
Transport, postal and warehousing	168,243	119,111	149,246	122,500	161,500	141,500
Information media and telecommunications	110,005	113,365	111,393	-	-	-
Financial and insurance services	591,295	345,342	413,823	-	-	-
Rental, hiring and real estate services	713,695	721,999	730,500	171,164	39,654	75,042
Arts and Recreation Services	-	-	-	-	-	-
Professional, scientific and technical services	-	4	-	-	-	-
Public administration and safety	138,462	86,316	177,672	3,571	28,497	7,143
Local government administration	-	-	-	-	-	-
Personal lending	720,781	757,022	742,263	48,881	77,474	23,868
<b>Subtotal</b>	<b>3,427,531</b>	<b>3,453,566</b>	<b>3,321,643</b>	<b>950,001</b>	<b>941,269</b>	<b>863,078</b>
Unearned income	(7,701)	(3,805)	(2,841)	-	-	-
Loan origination fees	1,364	1,090	1,337	-	-	-
Fair value hedge adjustments	-	384	36	-	-	-
Provisions for impairment losses	(14,089)	(14,296)	(16,139)	(894)	-	-
<b>Total credit exposures</b>	<b>3,407,105</b>	<b>3,436,939</b>	<b>3,304,036</b>	<b>949,107</b>	<b>941,269</b>	<b>863,078</b>
<b>Geographical area</b> <sup>1</sup>						
New Zealand	2,576,120	2,725,481	2,801,062	820,480	801,169	738,459
Overseas	830,985	711,458	502,974	128,627	140,100	124,619
<b>Total credit exposures</b>	<b>3,407,105</b>	<b>3,436,939</b>	<b>3,304,036</b>	<b>949,107</b>	<b>941,269</b>	<b>863,078</b>

<sup>1</sup> Geographical area classification is based on customers' tax residency status.

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

- Interest rate repricing gap limits: This includes both limits on the aggregate net position, curve risk and limits applied to the short or long position for each repricing time bucket.
- Simulations using interest rate scenarios are used to provide a series of potential net interest income (NII) outcomes. NII is modelled using a 1 basis point parallel shift in the yield curve above and below current levels. NII outcomes from these yield curve shocks are monitored and reported internally with management ensuring positions remain within prescribed management limits. Additional stressed interest rate scenarios are also considered and modelled.

### (b) Interest rate repricing gap analysis

The following table presents the NZ Banking Group's assets and liabilities at their carrying amounts as at 30 June 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 NZ Banking Group'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 interest bearing <sup>1</sup> \$000	Total \$000
<b>Financial assets</b>							
Cash and balances with central banks	82,800	-	-	-	-	-	82,800
Due from other financial institutions	68,422	-	-	-	-	17	68,439
Investment securities	25,669	20,228	-	5,182	29,823	431	81,333
Loans and advances <sup>1</sup>	2,086,955	487,653	246,000	235,043	109,261	(15,862)	3,149,050
Due from related parties	602	-	-	-	-	-	602
Derivative financial assets	-	-	-	-	-	24,881	24,881
<b>Total financial assets</b>	<b>2,264,448</b>	<b>507,881</b>	<b>246,000</b>	<b>240,225</b>	<b>139,084</b>	<b>9,467</b>	<b>3,407,105</b>
Non-financial assets	-	-	-	-	-	6,380	6,380
<b>Total assets</b>	<b>2,264,448</b>	<b>507,881</b>	<b>246,000</b>	<b>240,225</b>	<b>139,084</b>	<b>15,847</b>	<b>3,413,485</b>
<b>Financial liabilities</b>							
Due to other financial institutions	331,043	-	-	-	-	81	331,124
Deposits from customers	229,036	82,064	109,675	10	-	1,172	421,957
Debt securities issued	525,837	-	-	285,000	235,000	10,922	1,056,759
Due to related parties	223,892	458,659	213,487	57,167	300,129	3,233	1,256,567
Subordinated debt	15,000	-	-	-	-	88	15,088
Derivative financial liabilities	-	-	-	-	-	52,384	52,384
<b>Total financial liabilities</b>	<b>1,324,808</b>	<b>540,723</b>	<b>323,162</b>	<b>342,177</b>	<b>535,129</b>	<b>67,880</b>	<b>3,133,879</b>
Non-financial liabilities	-	-	-	-	-	8,883	8,883
<b>Total liabilities</b>	<b>1,324,808</b>	<b>540,723</b>	<b>323,162</b>	<b>342,177</b>	<b>535,129</b>	<b>76,763</b>	<b>3,142,762</b>
<b>On-balance sheet interest rate repricing gap</b>							
	<b>939,640</b>	<b>(32,842)</b>	<b>(77,162)</b>	<b>(101,952)</b>	<b>(396,045)</b>	<b>(60,916)</b>	<b>270,723</b>
Net derivative notional amount	(643,573)	-	-	275,000	368,573	-	-
<b>Net interest rate repricing gap</b>	<b>296,067</b>	<b>(32,842)</b>	<b>(77,162)</b>	<b>173,048</b>	<b>(27,472)</b>	<b>(60,916)</b>	<b>270,723</b>

<sup>1</sup> 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 NZ Banking Group 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
<b>Cash and cash equivalents:</b>				
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) <sup>1</sup>		68,439	242,508	379,473
Due from related parties <sup>2</sup>	17	602	4,051	1,336
<b>Total Cash and cash equivalent</b>		<b>151,841</b>	<b>306,250</b>	<b>532,278</b>
<b>Investment securities</b>				
Registered bank securities (net of provision)	8	25,671	6,500	6,536
Multilateral development banks and other international organisation <sup>3</sup>	8	55,662	26,625	26,203
<b>Total Investment securities</b>		<b>81,333</b>	<b>33,125</b>	<b>32,739</b>
<b>Total liquidity portfolio</b>		<b>233,174</b>	<b>339,375</b>	<b>565,017</b>

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

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

<sup>3</sup> 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 NZ Banking Group's cash flows by remaining period to contractual maturity as at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows and include principal and future interest cash flows and therefore will not agree to the carrying amounts on the balance sheet.

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

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

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

As at 30 June 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
<b>Non derivative financial liabilities</b>							
Due to other financial institutions	-	315,244	50	16,110	-	331,404	331,124
Deposits from customers	68,622	159,752	194,984	10	-	423,368	421,957
Debt securities issued	-	2,131	156,973	933,506	-	1,092,610	1,056,759
Due to related parties	-	226,799	679,067	365,980	-	1,271,846	1,256,567
Subordinated Debt	-	125	417	15,417	-	15,959	15,088
Lease liabilities	-	16	44	319	360	739	678
<b>Total non-derivative financial liabilities</b>	<b>68,622</b>	<b>704,067</b>	<b>1,031,535</b>	<b>1,331,342</b>	<b>360</b>	<b>3,135,926</b>	<b>3,082,173</b>
<b>Derivative financial liabilities</b>							
Net settled	-	13	2,901	3,302	-	6,216	
Gross settled – cash inflow	-	(222,024)	(231,220)	(472,331)	-	(925,575)	
Gross settled – cash outflow	-	226,299	239,829	503,894	-	970,022	
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>4,288</b>	<b>11,510</b>	<b>34,865</b>	<b>-</b>	<b>50,663</b>	<b>52,384</b>

## 22. Concentration of Funding

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

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

As at	Unaudited 30 Jun 2021 \$000	Unaudited 30 Jun 2020 \$000	Audited 31 Dec 2020 \$000
<b>Total funding comprises</b>			
Due to other financial institutions	331,124	634,056	503,118
Deposits from customers	421,957	299,854	419,719
Debt securities issued	1,056,759	1,059,385	1,074,472
Due to related parties	1,256,567	1,123,334	909,997
Subordinated debt	15,088	15,086	15,087
<b>Total funding</b>	<b>3,081,495</b>	<b>3,131,715</b>	<b>2,922,393</b>
<b>Concentration of funding by industry sector</b>			
Accommodation and food services	7,026	-	-
Agriculture, forestry and fishing	15,216	1,780	1,830
Mining	-	10,000	-
Construction	22,010	20,379	27,374
Electricity, gas, water and waste services	40,023	-	-
Financial and insurance services	1,571,986	1,824,601	1,738,693
Households	7,347	22,265	19,597
Manufacturing	888	3,079	754
Local government administration	40,026	-	60,026
Rental, hiring and real estate services	26,940	8,013	7,611
Retail trade	269	170	494
Transport, postal and warehousing	40,169	70,383	120,387
Wholesale trade	304	9,882	462
Other	37,636	22,743	20,081
<b>Subtotal</b>	<b>1,809,840</b>	<b>1,993,295</b>	<b>1,997,309</b>
Due to related parties (including Subordinated debt)	1,271,655	1,138,420	925,084
<b>Total funding</b>	<b>3,081,495</b>	<b>3,131,715</b>	<b>2,922,393</b>
<b>Concentration of funding by geographic region <sup>1</sup></b>			
New Zealand	1,477,458	1,336,780	1,474,457
China	1,588,077	1,508,591	1,431,602
Australia	15,088	49,962	15,087
Rest of Overseas	872	236,382	1,247
<b>Total funding</b>	<b>3,081,495</b>	<b>3,131,715</b>	<b>2,922,393</b>

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

## 23. Capital Adequacy

For the purposes of this Disclosure Statement the NZ Banking Group is subject to regulations for registered banks as specified by the Reserve Bank for two banking licenses, one for CCBNZL and another for the Branch. The Reserve Bank has set minimum regulatory capital requirements through the Capital Adequacy Framework (Internal Models Based Approach, BS2B) and Capital Adequacy Framework (Standardised Approach, BS2A) that are consistent with the internationally agreed framework (commonly known as Basel III), developed by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide methods for measuring the risks incurred by banks. The Branch and CCBNZL must comply with RBNZ registration requirements, including any minimum capital ratios (as applicable) under the conditions of registration for each respective banking licence.

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

## Capital management

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

The Boards of Directors for CCBNZL and the Overseas Bank have ultimate responsibility for ensuring adequate overall capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum to reduce the risk of breaching its regulatory requirements. CCBNZL and the Overseas Bank each actively monitor its capital adequacy as part of the Internal Capital Adequacy Assessment Process ("ICAAP"), for CCBNZL, which complies with the requirements set out in the Reserve Bank document BS12 Guidelines on Internal Capital Adequacy Assessment Process (ICAAP), and the "Internal Capital Assessment" for the Overseas Bank, and reports this on a regular basis to senior management and the respective Boards.

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

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

## CCBNZL regulatory requirement

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

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

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

In addition to the minimum capital requirements, BS2A prescribed a capital conservation buffer of 2.5% above the minimum CET1 capital ratio requirement. Prior to 2nd April 2020, there were restrictions on capital distributions in increasing steps once the buffer ratio was below 2.5%. This was replaced by a complete ban on distributions regardless of the size of the buffer ratio from 2nd April 2020.

The RBNZ released its final decisions on capital requirements applicable to New Zealand registered banks on 5th December 2019. Due to the COVID-19 pandemic, the RBNZ has delayed the start date for the increased capital requirements to 1 July 2021. The revised framework requires CCBNZL, as a standardised registered bank, to increase its Total Capital Ratio to 16% over a seven year period starting from the revised start date of 1 July 2021.

CCBNZL's Total Capital Ratio was 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.

## Overseas Banking Group regulatory requirement

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

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

Both the Overseas Bank and the Overseas Banking Group are required to hold minimum capital and disclose capital adequacy ratios in accordance with both the Capital Rules for Commercial Banks (Provisional) (CBIRC 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](http://www.ccb.com)).

The Overseas Bank and the Overseas Banking Group each met the capital requirements imposed on them by the CBIRC as at 31 March 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
<b>Ultimate Parent Bank Group</b>			
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%
<b>Ultimate Parent Bank</b>			
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%

## Capital instruments

### Ordinary shares

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

In relation to the ordinary shares:

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

### Subordinated notes

On 28 April 2016, CCBNZL issued NZD \$15 million (15,000 subordinated and unsecured medium term notes at a face value of NZD \$1,000.00 "the Notes") to the Sydney Branch of the Ultimate Parent Bank (Sydney Branch). The Notes will mature on 28 April 2023. The Notes are redeemable, subordinated and unsecured securities of CCBNZL. The Notes are subordinated to the claims of depositors and other unsubordinated creditors of CCBNZL and qualify for Tier 2 regulatory recognition subject to the allowance for tax in accordance with section 10f(5), of subpart 2F under BS2A. CCBNZL may redeem all the Notes on any interest payment date, subject to certain conditions including the Reserve Bank's written approval ("Redemption of Term Subordinated Notes"). Early redemption of all but not some of the Notes for tax reasons or regulatory reasons is permitted subject to Redemption of Term Subordinated Notes.

This instrument is subject to phase-out from Tier 2 in accordance with BS2A. The phase-out will be over five consecutive years, with the amount of the instrument qualifying as Tier 2 capital reducing by 20% each year commencing April 2018 to maturity in April 2023.

The Notes bear interest at a rate based on the 3 month Bank Bill Rate plus a fixed margin of 3.00% per annum. Interest is payable quarterly in arrears and commenced on 28 July 2016. If a Non-Viability Trigger Event occurs, CCBNZL must apply the conditions of ("Write-off"). A Non-Viability Trigger Event occurs if:

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



## Credit and market risk

## Additional mortgage information

## Residential mortgages by loan-to-valuation ratio

As at 30 June 2021 (Unaudited)	Exceeds		Exceeds 90% \$000	Total \$000
	Does not exceed 80% \$000	80% and not 90%		
<b>Loan-to-valuation ratio</b>				
On-balance sheet exposures				
Residential mortgages - Owner occupied	358,506	-	-	358,506
Residential mortgages - Investment	356,249	-	-	356,249
<b>Total On-balance sheet exposures</b>	<b>714,755</b>	<b>-</b>	<b>-</b>	<b>714,755</b>
Off-balance sheet exposures	48,881	-	-	48,881
<b>Value of exposures</b>	<b>763,636</b>	<b>-</b>	<b>-</b>	<b>763,636</b>

The information in the above table is in respect of the total residential mortgage loans used to calculate the NZ Banking Group's Pillar 1 capital requirement for credit risk, categorised by loan-to-valuation ratio specified in Capital Adequacy Framework (Standardised Approach) (BS2A).

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

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

## Reconciliation of residential mortgage-related amount

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

## 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	50,280	4,022	69,949	5,596
Foreign currency risk	1,429	114	1,697	136
Equity risk	-	-	-	-
<b>Total</b>	<b>51,709</b>	<b>4,136</b>	<b>71,646</b>	<b>5,732</b>

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).



## Other Disclosures

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

#### Insurance

The NZ Banking Group does not conduct any insurance business.

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

The NZ Banking Group is not involved in:

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

### 25. Commitments and Contingent Liabilities

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

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

Credit related and other commitments (contractual or notional amount) and contingent liabilities arising in respect of the NZ Banking Group's operations as at 30 June 2021 were:

As at	Unaudited <sup>1</sup> 30 Jun 2021 \$000	Unaudited 30 Jun 2020 \$000	Audited 31 Dec 2020 \$000
<b>Credit related commitments and contingent liabilities</b>			
Commitments to extend credit <sup>1</sup>	817,265	794,285	730,564
Financial guarantees	-	89	-
Standby letters of credit	128,627	140,100	124,619
Non-financial guarantees	3,215	6,795	7,895
<b>Total Credit related commitments and contingent liabilities</b>	<b>949,107</b>	<b>941,269</b>	<b>863,078</b>

<sup>1</sup> 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. Other information on the Overseas Banking Group

As at	31 March 2021
<b>Profitability</b>	
Net Profit after tax for the period ended 31 March 2021	RMB 83,020 million
Net Profit after tax for the 12 months ended 31 March 2021 as a % of average total assets	0.98%
<b>Size</b>	
Total assets	RMB 29,378,083 million
% change in total assets from 31 March 2020	8.37%
<b>As at</b>	<b>31 December 2020</b>
<b>Asset Quality</b>	
Total gross individually impaired assets	RMB 260,729 million
Total individually impaired assets as a % of Total Assets	0.93%
Total Individual credit impairment allowance	RMB 172,536 million
Total individual credit impairment allowance as a % of total gross individually impaired assets	66.17%
Total collective impairment allowance	RMB 383,527 million

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

## 27. Events subsequent to the reporting date

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

### 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
CBRC	China Banking Regulatory Commission
CET1	Common Equity Tier 1
CFP	Contingency funding plan
EAD	Exposure at default
ECL	Expected credit loss
EWI	Early warning indicator
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
ICAAP	Internal capital adequacy assessment process
IRB	Internal rating based
IRRBB	Interest rate risk in the Banking book
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
IAS	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

## Independent auditor’s review report to the Directors of China Construction Bank Corporation

### Conclusions

We have reviewed the interim financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 9, 12 and 14 of the Order of China Construction Bank Corporation New Zealand Banking Group (the “NZ Banking Group”), for the six month period ended 30 June 2021 as included on pages 7 to 34 of the Disclosure Statement. The NZ Banking Group comprises the New Zealand branch of China Construction Bank Corporation and China Construction Bank (New Zealand) Limited. The interim financial statements and supplementary information comprise:

- ▶ the balance sheet of the NZ Banking Group 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 NZ Banking Group; and
- ▶ the supplementary information required by Schedules 5,7,9,12 and 14 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 7 to 34 (excluding the supplementary information required to be disclosed under Schedules 5, 7, 9, 12 and 14 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 credit and market risk exposures and capital adequacy disclosed in Note 23) required to be disclosed under Schedules 5, 7, 12 and 14 of the Order, does not fairly state, in all material respects, the matters to which it relates in accordance with those schedules; and
- the supplementary information relating to credit and market risk exposures and capital adequacy (disclosed in Note 23) that is required to be disclosed under Schedule 9 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

This report is made solely to the Directors of China Construction Bank Corporation, as a body. Our review has been undertaken so that we might state to the Directors those matters we are required to state to them in an independent 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 NZ Banking Group and the Directors, as a body, 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 NZ Banking Group 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 NZ Banking Group. Partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the business of the NZ Banking Group. We have no other relationship with, or interest in, the NZ Banking Group.

### **Directors' responsibilities for the interim financial statements and supplementary information**

The Directors are responsible, on behalf of China Construction Bank Corporation, for the preparation and fair presentation of the interim financial statements in accordance with Clause 26 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 China Construction Bank Corporation, for the preparation and fair presentation of the supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 12 and 14 of the Order.

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

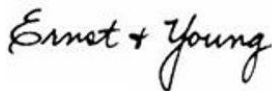
Our responsibility is to express a conclusion on the interim financial statements and the supplementary information based on our review.

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 credit and market risk exposures and capital adequacy in Note 23) does not fairly state in all material respects, the matters to which it relates in accordance with Schedules 5, 7, 12 and 14.
- the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Note 23, 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.



Chartered Accountants  
Auckland  
27 August 2021