China Construction Bank (New Zealand) Limited

Disclosure Statement

For the six months ended 30 June 2019

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Disclosure Statement

For the six months ended 30 June 2019

General Information and Definitions

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

In this Disclosure Statement:

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

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

Corporate Information

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

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

Ultimate Parent and Holding Company

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

Significant Interest in the Registered Bank

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

Limits on Material Financial Support by the Ultimate Parent Bank

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

Directorate

The following changes to the composition of the Board of Directors (the 'Board') have occurred since the publication of the Bank's previous full year Disclosure Statement for the year ended 31 December 2018:

- Dame Jenny Shipley resigned as Director of the Company on 31 March 2019
- Mr. John Shewan was appointed as Acting Chairman from 1 April 2019

Apart from the above, there have been no other changes in the Board since 31 December 2018.

Responsible Person

Mr Jun Qi (Executive Director), has been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank Act on behalf of the Directors, being:
John Shewan (Acting Chair), Michael Allen, Xingyao Li and Yangtong Jin.

Credit Ratings

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

	S&P Global Ratings	Moody's Investors Service
Long-term credit rating	A	A1
Short-term credit rating	A-1	P-1
Outlook	Stable	Stable

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

Descriptions of the credit rating scales are as follows:

The following table describes the credit rating grades available:

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

(a) *S&P Global Ratings and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories.*

(b) *Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications with 1 indicating the higher end and 3 the lower end of the rating category.*

Guarantee Arrangements

(a) Details of Guaranteed Obligations

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

A copy of the Deed of Guarantee given by CCB is provided in the Bank’s Disclosure Statement for the year ended 31 December 2018 which can be obtained from the Bank’s website http://nz.ccb.com or the Bank’s registered office.

There have been no changes to the Deed of Guarantee since the publication of the Bank’s full year Disclosure Statement for the year ended 31 December 2018.

Under the Guarantee:

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

(b) Details of the Guarantor

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

CCB has implemented the advanced measurement approaches for capital management from April 2014. As disclosed in CCB’s unaudited consolidated results for the three months period ended 31 March 2019, considering relevant rules in the transition period, CCB Group’s total capital for capital adequacy purposes was RMB 2,433,004 million (NZD 528,271 million) and its total capital ratio was 17.14%. The capital ratio was calculated in accordance with the Capital Rules for Commercial Banks (Provisional) promulgated by the China Banking Regulatory Commission (CBRC) in June 2012.

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

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

Pending Proceedings or Arbitration

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

The contingent liabilities of the Bank are set out in Note 18. Commitments and contingent liabilities of the financial statements for the six months ended 30 June 2019 included within this Disclosure Statement.

Conditions of Registration

The following changes have been made to the Bank’s Conditions of Registration since 31 December 2018 and are effective on and after 1 January 2019 pursuant to section 74(2) of the Reserve Bank of New Zealand Act 1989:

(a) Condition 11 has been modified to reflect the issue date of revised Liquidity Policy (BS13A); and
(b) Conditions of registration 15 and 16 have been updated to reflect the changes made to Framework for Restrictions on High-LVR Residential Mortgage Lending (BS19). The changes include:
   - No more than 5% of the Bank’s new mortgage lending to residential property investors can be at LVRs of more than 70% (previously 65%); and
   - No more than 20% (previously 15%) of the Bank’s new mortgage lending to owner occupiers can be at LVRs of more than 80%.

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

Non-Compliance with Conditions of Registration

Following Dame Jenny Shipley's resignation from the Board on 31 March 2019, the Bank's Condition of Registration requirement (Section 6 (c), to have at least half of the board members as Independent Directors has not been met since then.

The Reserve Bank of New Zealand was notified about this situation and confirmed that there will be no enforcement action against the Bank. The Bank has a comprehensive plan in place to restore compliance and will be appointing a new Independent Director later this year.

Other Material Matters

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

Auditor

The appointed auditor for the Bank is Ernst & Young ("EY") following resignation of PwC on 7 May 2019 in line with CCB's Auditor's rotational policy. The auditor's address is 2 Takutai Square, Britomart, Auckland 1010, New Zealand.

Directors' Statements

Each Director of the Bank believes, after due enquiry, that, as at the date on which this Disclosure Statement is signed:

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

Each Director of the Bank believes, after due enquiry that, for the six months ended 30 June 2019:

(a) the Bank has complied with all conditions of registration except as disclosed on page 6 of this Disclosure Statement;
(b) credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and
(c) the Bank had systems in place to monitor and control adequately the material risks of the Banking Group including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 12 August 2019 and has been signed by Mr Jun Qi as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Mr Jun Qi
EXECUTIVE DIRECTOR

Statement of Comprehensive Income

For the period ended	Note	Unaudited 30 Jun 2019 6 months $000	Unaudited 30 Jun 2018 6 months $000	Audited 31 Dec 2018 12 months $000
Interest income	2	29,100	38,043	67,549
Interest expense	2	(17,765)	(20,475)	(37,283)
Other interest (expense)/income	2	(11)	(1,822)	(2,049)
Net interest Income	2	**11,324**	**15,746**	**28,217**
Net non-interest income	3	5,516	1,847	4,734
Total operating income		**16,840**	**17,593**	**32,951**
Operating expenses		(7,509)	(7,255)	(15,844)
Impairment (losses)/write-back on credit exposures	4	(311)	1,005	(249)
Profit/ (Loss) before income tax		**9,020**	**11,343**	**16,858**
Income tax expense		(2,533)	(3,187)	(4,737)
Profit after income tax attributable to the owner of the Bank		**6,487**	**8,156**	**12,121**
Other comprehensive income, net of tax				
Other comprehensive income which will not be reclassified to profit or loss		-	-	-
Other comprehensive income which may be reclassified to profit or loss		111	(35)	(152)
Total other comprehensive income, net of tax		**111**	**(35)**	**(152)**
Total comprehensive income attributable to the owner of the Bank		**6,598**	**8,121**	**11,969**

From 1 January 2018, the Bank has adopted and applied NZ IFRS 9 and consequently in order to comply with the requirements of NZ IAS 1, interest earned on financial assets measured at FVTPL and interest expenses on financial liabilities measured at FVTPL has been reclassified from "interest income" and "interest expense" to "Other interest (expense)/income" for the period ended 30 June 2018. Additionally, the interest earned on committed loans was also reclassified from non-interest income to interest income for the same period. Refer Note 2 and Note 3 on page 13 for further details.

These interim financial statements are to be read in conjunction with the notes on pages 11 - 36 accompanied with the auditor’s Review Report on page 37.

Statement of Changes in Equity

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

For the period ended 30 June 2018 (Unaudited)	Share Capital $000	Retained Earnings $000	Cash Flow Hedge Reserve $000	FVOCI Reserve $000	Total $000
Balance at 01 January 2018	199,178	6,798	(45)	-	205,931
Change in accounting policy	-	(2,232)	-		(2,232)
Restated total equity as at 01 January 2018	**199,178**	**4,566**	(45)	**-**	**203,699**
Profit after income tax	-	8,156	-	-	8,156
Other comprehensive income	-	-	(35)	-	(35)
Total comprehensive income for the period	**-**	**8,156**	**(35)**	**-**	**8,121**
Transactions with owners:					-
Dividends paid on ordinary shares	-	-	-	-	-
Balance at 30 June 2018	**199,178**	**12,722**	**(80)**	**-**	**211,820**

For the period ended 31 December 2018 (Audited)	Share Capital $000	Retained Earnings $000	Cash Flow Hedge Reserve $000	FVOCI Reserve $000	Total $000
Balance at 01 January 2018	199,178	6,798	(45)	-	205,931
Change in accounting policy	-	(2,232)	-	-	(2,232)
Restated total equity as at 01 January 2018	**199,178**	**4,566**	**(45)**	**-**	**203,699**
Profit after income tax	-	12,121	-	-	12,121
Other comprehensive income	-	-	(152)	-	(152)
Total comprehensive income for the period	**-**	**12,121**	**(152)**	**-**	**11,969**
Transactions with owners:					
Dividends paid on ordinary shares	-	-	-	-	-
Balance at 31 December 2018	**199,178**	**16,687**	**(197)**	**-**	**215,668**

These interim financial statements are to be read in conjunction with the notes on pages 11 - 36 accompanied with the auditor's Review Report on page 37.

Balance Sheet

As at	Note	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Assets				
Cash and balances with central bank	5	6,844	50,611	50,698
Due from other financial institutions	6	183,413	151,823	300,528
Investment securities	7	190,720	147,724	188,329
Loans and advances	8	1,118,018	1,268,778	983,489
Due from related parties	15	1,425	1,558	774
Derivative financial assets	10	38,739	22,970	28,694
Other assets		234	269	241
Property, plant and equipment	11	2,240	933	849
Intangible assets		104	183	126
Deferred tax assets		1,990	1,584	1,852
Total assets		**1,543,727**	**1,646,433**	**1,555,580**
Liabilities				
Due to other financial institutions		-	25,004	-
Deposits from customers	12	189,782	347,751	201,610
Debt securities issued	13	691,130	547,766	690,246
Due to related parties	15	414,385	490,409	420,227
Subordinated debt	15	15,124	15,128	15,129
Derivative financial liabilities	10	6,922	4,452	5,725
Current tax liabilities		1,009	2,878	4,650
Other liabilities	14	3,109	1,225	2,325
Total liabilities		**1,321,461**	**1,434,613**	**1,339,912**
Shareholder's equity				
Share capital		199,178	199,178	199,178
Retained earnings		23,174	12,722	16,687
Reserves		(86)	(80)	(197)
Total shareholder's equity		**222,266**	**211,820**	**215,668**
Total liabilities and shareholder's equity		**1,543,727**	**1,646,433**	**1,555,580**
Total interest earning and discount bearing assets		1,502,113	1,621,257	1,524,740
Total interest and discount bearing liabilities		1,288,692	1,418,794	1,313,195

These interim financial statements were approved by the Directors on 12 August 2019 and are signed on their behalf by:

Mr Jun Qi
EXECUTIVE DIRECTOR

These interim financial statements are to be read in conjunction with the notes on pages 11 - 36 accompanied with the auditor's Review Report on page 37.

Cash Flow Statement

For the period ended	Note	Unaudited 30 Jun 2019 6 months $000	Unaudited 30 Jun 2018 6 months $000	Audited 31 Dec 2018 12 months $000
Cash flows from operating activities				
Interest received		28,751	37,926	69,673
Interest paid		(2,717)	(5,636)	(9,473)
Income received from financial instruments designated at FVTPL		1,756	-	1,835
Non-interest income received		3,754	2,434	12,427
Non-interest expense paid		(388)	(43)	(39)
Operating expenses paid		(7,694)	(7,464)	(14,649)
Income taxes paid		(6,356)	(3,710)	(3,710)
Net cash flows from operating activities before changes in operating assets and liabilities		**17,106**	**23,507**	**56,064**
Net changes in operating assets and liabilities:				
Net decrease/(increase):				
GST receivable		26	16	(4)
Other assets		(23)	161	211
Loans and advances		(134,972)	376,799	657,669
Due from related parties		(707)	(287)	98
Net increase/(decrease):				
Due to other financial institutions		-	25,000	-
Deposits from customers		(12,126)	(110,400)	(256,566)
Net changes in operating assets and liabilities		**(147,802)**	**291,289**	**401,408**
Net cash flows provided by/ (used in) operating activities	17	**(130,696)**	**314,796**	**457,472**
Cash flows from investing activities				
Purchase of investment securities		(1,643)	(147,980)	(187,809)
Placements with other financial institutions		(65,292)	-	-
Purchase of property, plant and equipment		(10)	(28)	(194)
Purchase of intangible assets		-	-	-
Net cash flows used in investing activities		**(66,945)**	**(148,008)**	**(188,003)**
Cash flows from financing activities				
Amount borrowed from related parties		21,998	461,351	496,683
Repayments of due to related parties		(28,663)	(654,075)	(773,412)
Issuance of debt issues	13	97,834	260,000	563,943
Repayments of debt securities	13	(104,000)	(168,000)	(333,000)
Repayment of lease liabilities		(418)	-	-
Interest paid on financing activities		(15,428)	(19,249)	(28,478)
Net cash flows (used in)/ provided by financing activities		**(28,677)**	**(119,973)**	**(74,264)**
Net increase/ (decrease) in cash and cash equivalents		(226,318)	46,815	195,205
Cash and cash equivalents at beginning of the period		351,924	156,719	156,719
Cash and cash equivalents at end of the period	22 (a)	**125,606**	**203,534**	**351,924**
Cash and cash equivalents at end of the period comprise:				
Due from other financial institutions (call or original maturity of 3 months or less)	22 (a)	118,121	151,823	300,528
Cash and balances with central banks	22 (a)	6,844	50,611	50,698
Due from related parties (nostro account)	22 (a)	641	1,100	698
Cash and cash equivalents at end of the period	22 (a)	**125,606**	**203,534**	**351,924**

These interim financial statements are to be read in conjunction with the notes on pages 11 - 36 accompanied with the auditor's Review Report on page 37.

Notes to Accounts

1. Statement of Accounting Policies

a) Reporting Entity

These condensed interim financial statements are for China Construction Bank (New Zealand) Limited (the Bank), for the six months ended 30 June 2019.

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

They were approved for issue by the Board of Directors (the "Board") of the Bank on 12 August 2019.

As at 30 June 2019, China Construction Bank (New Zealand) Limited is a company registered under the Companies Act 1993, a registered bank under the Reserve Bank Act 1989 and a FMC reporting entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

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

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Bank's financial statements for the full year ended 31 December 2018.

b) Basis of Preparation

These condensed interim financial statements have been prepared in accordance with the historical cost basis, as modified by applying fair value accounting to all derivative financial instruments including in the case of fair value hedging the fair value adjustment on the underlying hedged exposure.

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.

The accounting policies and methods of computation are consistent with those of the Bank's financial statements for the full year ended 31 December 2018 and half year ended 30 June 2018, except for the adoption of new and amended standards as set out below.

(i) New and amended standards adopted

NZ IFRS 16 - Leases became applicable for the current reporting period and the Bank has changed its accounting policies and made adjustments as a result of adopting this accounting standard.
NZ IFRS 16 requires a lessee to recognise a Lease liability reflecting future lease payments and a 'Right-of-use asset' for virtually all lease contracts.

The impact of the adoption of this standard and the new accounting policies is disclosed below.

c) Impact of Adoption of New Accounting Standards

(i) Impact on the financial statements upon adoption – NZ IFRS 16

The bank has adopted NZ IFRS 16 which replaces NZ IAS 17 - Leases from 1 January 2019 which resulted in changes in accounting policies and recognition of a lease liability reflecting future lease payments and a Right-of-use asset for all lease contracts outstanding at this date.

The bank has adopted the "Cumulative catch-up approach" for migrating to the new standard under which comparative information is not restated. The carrying amounts of right-of-use asset and lease liability at the date of the transition were recognised in the opening Balance sheet of the current financial year. The Bank also elected to apply the optional exemption applicable to lessees and has excluded short term leases and leases of low value assets.

Following the adoption of NZ IFRS 16 as at 1 January 2019, there was no impact on the opening retained earnings. The impact on the opening balance sheet as at 1 January 2019 is as follows:

Balance sheet as at 1 January 2019	$000
Property, plant and equipment	
Right-of-use asset	2,067
Other liabilities	
Lease liability	(2,067)

(ii) Changes to accounting policies - NZ IFRS 16

(a) Right-of-use asset

The bank recognises a Right-of-use asset at commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The Bank presents Right-of-use assets under Property, Plant and Equipment in the Balance Sheet.

(b) Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined by, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability includes fixed payments as per lease contracts.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from changes in lease contracts. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of use asset or is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

The Bank presents lease liabilities in "Other Liabilities" in the Balance Sheet.

2. Net interest income

	Unaudited 30 Jun 2019 6 months $000	Unaudited 30 Jun 2018 6 months $000	Audited 31 Dec 2018 12 months $000
Interest income			
[1] Cash and balances with central bank	327	424	866
[1] Due from other financial institutions	3,816	603	2,237
[1] Loans and advances *	24,664	36,997	64,203
[1] Due from related parties	60	19	145
[2] Investments securities	233	-	98
Total interest income	**29,100**	**38,043**	**67,549**
Interest expense			
[3] Due to other financial institutions	-	(139)	(196)
[3] Deposits and other borrowings	(2,720)	(4,687)	(7,980)
[3] Due to related parties	(3,285)	(7,594)	(11,418)
[3] Debt securities issued	(11,730)	(8,055)	(17,689)
[3] Lease Liabilities	(30)	-	-
Total interest expense	**(17,765)**	**(20,475)**	**(37,283)**
Other interest (expense)/income			
[4] Investment securities	1,526	1,477	3,081
[4] Due to related party	(1,537)	(3,299)	(5,130)
Total other interest (expense)/income	**(11)**	**(1,822)**	**(2,049)**
Total net interest income	**11,324**	**15,746**	**28,217**

[1] *Interest earned on financial assets classified and measured at amortised cost.*
[2] *Interest earned on financial assets classified and measured at FVOCI.*
[3] *Interest expense on financial liabilities classified and measured at amortised cost.*
[4] *Interest earned on financial assets and interest expense on financial liabilities classified and measured at FVTPL*
* *Interest earned on impaired assets is nil, (30 June 2018: nil, 31 December 2018: nil).*

Comparative information for the period ended 30 June 2018 related to interest income and interest expense has been restated to reflect the "other interest (expense) / income", as detailed below.

	Old value	*Restated value*
Total interest income	*38,242*	*38,043*
Total interest expense	*(23,773)*	*(20,475)*
Total other interest (expense)/income	*-*	*(1,822)*

Additionally, interest earned on committed loans amounting to $1,277,000 is also restated from non-interest income to interest income to ensure consistency with the current period reporting (refer note 3 below).

3. Non-interest income

	Unaudited 30 Jun 2019 6 months $000	Unaudited 30 Jun 2018 6 months $000	Audited 31 Dec 2018 12 months $000
Fees and other income			
Lending and credit facility related fee income *	893	2,884	2,604
Other fee expense	(94)	(32)	(39)
Trade finance and other fee income	41	19	80
Management fee income	3,289	-	3,443
Total fees and other income	**4,129**	**2,871**	**6,088**
Other income (expense)			
Net ineffectiveness on qualifying hedges	(346)	(610)	1,661
Net gain/(loss) on derivatives	(730)	(191)	19
Loss on disposal of financial assets at fair value through profit or loss	-	(444)	(444)
Loss on early redemption of foreign currency borrowing	-	(18,341)	(26,135)
Gain on early termination of derivatives	-	19,191	25,624
Unrealised gain/(loss) on financial assets at fair value through profit or loss	749	(847)	(727)
Unrealised gain/(loss) on financial liabilities at fair value through profit or loss	1,714	218	(1,352)
Total other income (expense)	**1,387**	**(1,024)**	**(1,354)**
Total net non-interest income	**5,516**	**1,847**	**4,734**

* *Comparative information for the period ended 30 June 2018 has been reclassified to ensure consistency with current year reporting where interest earned on committed loans totalling $1,277,000 was reclassified from non-interest income to interest income (refer Note 2).*

4. Impairment losses on credit exposures

	Due from other financial institutions	Loans and advances			Total impairment loss
		Residential mortgage loans	Corporate exposures	Other exposures	
	$000	$000	$000	$000	$000
For the six months ended 30 Jun 2019 (Unaudited)					
Movement in collective provision 12-months ECL	(50)	64	297	-	311
Movement in collective provision Lifetime ECL not credit impaired	-	-	-	-	-
Movement in collective provision Lifetime ECL credit impaired	-	-	-	-	-
Movement in specific provision Lifetime ECL credit impaired	-	-	-	-	-
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment losses on loans and advances	**(50)**	**64**	**297**	**-**	**311**
For the six months ended 30 Jun 2018 (Unaudited)					
Movement in collective provision 12-months ECL	19	19	(1,679)	8	**(1,633)**
Movement in collective provision Lifetime ECL not credit impaired	-	-	628	-	**628**
Movement in collective provision Lifetime ECL credit impaired	-	(231)	-	-	**(231)**
Movement in specific provision Lifetime ECL credit impaired	-	-	-	231	**231**
Bad debts written-off directly to the profit or loss	-	-	-	-	**-**
Bad debts recovered	-	-	-	-	**-**
Total impairment losses on loans and advances	**19**	**(212)**	**(1,051)**	**239**	**(1,005)**
For the year ended 31 Dec 2018 (Audited)					
Movement in collective provision 12-months ECL	70	3,270	(2,616)	67	**791**
Movement in collective provision Lifetime ECL not credit impaired	-	-	(688)	-	**(688)**
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	-	-	-	146	**146**
Bad debts recovered	-	-	-	-	**-**
Total impairment losses on loans and advances	**70**	**3,270**	**(3,304)**	**213**	**249**

5. Cash and balances with Central Bank

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Settlement account balances with central bank	6,844	50,611	50,698
Total cash and balances with central bank	**6,844**	**50,611**	**50,698**

6. Due from other financial institutions

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Loans and advances due from other financial institutions – call	8,370	12,547	13,376
Loans and advances due from other financial institutions – term	175,063	139,295	287,222
Provision for impairment losses	(20)	(19)	(70)
Total amount due from other financial institutions	**183,413**	**151,823**	**300,528**

7. Investment securities

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
At FVOCI			
Registered bank securities	27,266	-	-
RBNZ bills	12,986	-	38,986
Provision for impairment losses *	(4)	-	-
Total investment securities at FVOCI	**40,248**	-	**38,986**
At FVTPL			
Government securities	150,472	147,724	149,343
Total investment securities at FVTPL	**150,472**	**147,724**	**149,343**
Total investment securities	**190,720**	**147,724**	**188,329**

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

8. Loans and Advances

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Residential mortgages	666,565	717,673	658,502
Corporate exposures *	456,684	555,081	329,133
Other exposures *	-	371	-
Total gross loans and advances	**1,123,249**	**1,273,125**	**987,635**
Unearned income	(2,490)	(1,878)	(1,985)
Loan origination fees	1,127	1,434	1,095
Fair value hedge adjustments	1,039	(182)	1,290
Loans and advances before provisions for impairment	**1,122,925**	**1,272,499**	**988,035**
Provision for impairment losses	(4,907)	(3,721)	(4,546)
Total net loans and advances	**1,118,018**	**1,268,778**	**983,489**

* *Comparative information for 30 June 2018 and 31 December 2018 has been reclassified to ensure consistency with current year reporting.*

9. Asset Quality

a) Credit quality information

As at 30 Jun 2019 (Unaudited)	Residential mortgage loans $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Neither past due nor impaired	666,565	456,684	-	**1,123,249**
Past due but not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due but not impaired	**-**	**-**	**-**	**-**
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	**666,565**	**456,684**	**-**	**1,123,249**
Total Provision for impairment losses	(3,616)	(1,291)	-	(4,907)
Unearned income	**-**	**-**	**-**	(2,490)
Loan origination fees	**-**	**-**	**-**	1,127
Fair value hedge adjustments	**-**	**-**	**-**	1,039
Total net loans and advances	**662,949**	**455,393**	**-**	**1,118,018**

b) Movement in loans and advances

As at 30 Jun 2019 (Unaudited)	Stage 1 12-month ECL $000	Stage 2 Lifetime 12-month ECL $000	Stage 3 Lifetime 12-month ECL $000	Purchased credit-impaired $000	Total $000
Residential mortgages					
Gross balance as at beginning of year	658,502	-	-	-	**658,502**
Additions	53,980	-	-	-	**53,980**
Amounts written off	-	-	-	-	**-**
Deletions	(45,917)	-	-	-	**(45,917)**
Gross balance as at end of period	**666,565**	**-**	**-**	**-**	**666,565**
Corporate exposures					
Gross balance as at beginning of year	321,923	7,210	-	-	**329,133**
Additions	609,156	236	-	-	**609,392**
Amounts written off	-	-	-	-	**-**
Deletions	(474,395)	(7,446)	-	-	**(481,841)**
Gross balance as at end of period	**456,684**	**-**	**-**	**-**	**456,684**
Other exposures					
Gross balance as at beginning of year	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Amounts written off	-	-	-	-	**-**
Deletions	-	-	-	-	**-**
Gross balance as at end of period	**-**	**-**	**-**	**-**	**-**
Total					
Gross balance as at beginning of year	**980,425**	**7,210**	**-**	**-**	**987,635**
Additions	**663,136**	**236**	**-**	**-**	**663,372**
Amounts written off	**-**	**-**	**-**	**-**	**-**
Deletions	**(520,312)**	**(7,446)**	**-**	**-**	**(527,758)**
Gross total balance as at end of period	**1,123,249**	**-**	**-**	**-**	**1,123,249**

Due from financial institutions balances (refer to Note 6) were all represented in Stage 1 - 12 months ECL.

c) Movement in provision for impairment losses

As at 30 Jun 2019 (Unaudited)	Collective Provision 12-months ECL $000	Collective Provision Lifetime ECL Not Credit Impaired $000	Collective Provision Lifetime ECL Credit Impaired $000	Specific Provision Lifetime ECL Credit Impaired $000	Total $000
Residential mortgages					
Balance at beginning of period	3,552	-	-	-	**3,552**
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	313	-	-	-	**313**
Amounts written off	-	-	-	-	**-**
Reversals of previously recognised impairment losses	(249)	-	-	-	**(249)**
Recovery of amounts written off	-	-	-	-	**-**
Balance at end of period – Residential mortgages	**3,616**	**-**	**-**	**-**	**3,616**
Corporate exposures					
Balance at beginning of period	944	50	-	-	**994**
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	1,860	7	-	-	**1,867**
Amounts written off	-	-	-	-	**-**
Reversals of previously recognised impairment losses	(1,513)	(57)	-	-	**(1,570)**
Recovery of amounts written off	-	-	-	-	**-**
Balance at end of period – Corporate exposures	**1,291**	**-**	**-**	**-**	**1,291**
Other exposures					
Balance at beginning of period	-	-	-	-	-
Transferred to collective provision 12-months ECL	-	-	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	-	-	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to specific provision lifetime ECL credit impaired	-	-	-	-	-
Charge to profit or loss excluding transfer between ECL stages	-	-	-	-	-
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-	-
Recovery of amounts written off	-	-	-	-	-
Balance at end of period – Other exposures	-	-	-	-	-
Total					
Balance at beginning of period	**4,496**	**50**	**-**	**-**	**4,546**
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	**2,173**	**7**	**-**	**-**	**2,180**
Amounts written off	-	-	-	-	-
Reversals of previously recognised impairment losses	**(1,762)**	**(57)**	**-**	**-**	**(1,819)**
Recovery of amounts written off	-	-	-	-	-
Total provision for impairment losses at the end of period for loans and advances	**4,907**	**-**	**-**	**-**	**4,907**

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

There was no transfer of collective provision for 'Due from financial institutions' between the stages. The total provision of $20,000 (30 June 2018: $19,000, 31 December 2018: $70,000) (refer Note 6) was represented in 'Collective provision 12-months ECL' during the period.

10. Derivative financial instruments

	As at 30 Jun 2019 (Unaudited)			As at 30 Jun 2018 (Unaudited)		
	Notional Amount $000	Fair Values Assets $000	Fair Values Liabilities $000	Notional Amount $000	Fair Values Assets $000	Fair Values Liabilities $000
Held for Trading						
Interest rate swap	212,267	6,044	(5,647)	288,646	1,993	(1,494)
Forward contracts	3,882	31	(32)	49,074	1,128	(752)
FX Swaps	6,886	46	(22)	23,046	477	(559)
Fair value hedges						
Interest rate swap	835,121	14,677	(1,078)	1,025,630	3,207	(650)
Dual fair value and cash flow hedges						
Cross Currency Interest rate swap	345,025	17,887	-	268,589	15,229	-
Economic Hedge						
Forward contracts	-	-	-	-	-	-
FX Swaps	61,749	54	(143)	101,057	936	(997)
Total derivative financial instruments	**1,464,930**	**38,739**	**(6,922)**	**1,756,042**	**22,970**	**(4,452)**

	As at 31 Dec 2018 (Audited)		
	Notional Amount $000	Fair Values Assets $000	Fair Values Liabilities $000
Held for Trading			
Interest rate swap	318,741	3,169	(2,690)
Forward contracts	8,037	89	(180)
FX Swaps	7,860	153	-
Fair value hedges			
Interest rate swap	993,107	7,029	(735)
Dual fair value and cash flow hedges			
Cross Currency Interest rate swap	345,025	16,661	-
Economic Hedge			
Forward contracts	5,125	162	57
FX Swaps	338,433	1,431	(2,177)
Total derivative financial instruments	**2,016,328**	**28,694**	**(5,725)**

11. Property, plant and equipment

The effects of the reclassification of Right-of-use of asset on the Balance sheet is as follows:

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Property, plant and equipment owned	3,324	3,148	3,313
Accumulated depreciation	(2,732)	(2,215)	(2,464)
Total Property, plant and equipment owned	**592**	**933**	**849**
Right-of-use asset	2,067	-	-
Accumulated depreciation	(419)	-	-
Total Right-of-use asset	**1,648**	**-**	**-**
Total Property, plant and equipment	**2,240**	**933**	**849**

Additions to the Right-of-use assets for the six months ended 30 June 2019 is $ nil.

12. Deposits from Customers

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Demand deposits not bearing interest	2,059	512	1,185
Demand deposits bearing interest	31,691	73,847	34,249
Term deposits	156,032	273,392	166,176
Total deposits from customers	**189,782**	**347,751**	**201,610**

13. Debt securities issued

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Short term debt			
Registered certificate of deposits	60,000	100,000	55,000
Total short term debt	**60,000**	**100,000**	**55,000**
Long term debt	-	11,500	-
Domestic medium-term notes	616,076	431,800	627,243
Total long term debt	**616,076**	**443,300**	**627,243**
Total debt securities issued	**676,076**	**543,300**	**682,243**
Debt securities issued at face value	676,076	543,300	682,243
Total debt securities issued at face value	**676,076**	**543,300**	**682,243**
Movement in debt securities issued			
Balance at beginning of the year	690,246	453,507	453,507
Issuance during the period	97,834	260,000	563,943
Repayments during the period	(104,000)	(168,000)	(333,000)
Effect of fair value hedge adjustment	7,401	2,436	5,406
Net effect of transaction costs and accruals	(351)	(177)	390
Balance at end of the period	691,130	547,766	690,246
Total debt securities	**691,130**	**547,766**	**690,246**

14. Other liabilities

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Other Liabilities			
Trade creditors and other accrued expenses	211	173	197
Lease liability	1,679	-	-
Employee entitlements	1,219	924	1,982
Other	-	128	146
Total Other Liabilities	**3,109**	**1,225**	**2,325**

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

Amounts recognised in Profit or loss	**Unaudited 30 Jun 2019 $000**	**Unaudited 30 Jun 2018 $000**	**Audited 31 Dec 2018 $000**
Interest on lease liabilities	30	-	-
Depreciation charge on Right-of-use asset	419	-	-
Expenses relating to short-term leases	-	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-	-
Total amounts recognised in profit or loss	**449**	-	-

Maturity analysis contracted undiscounted cash flows	**Unaudited 30 Jun 2019 $000**	**Unaudited 30 Jun 2018 $000**	**Audited 31 Dec 2018 $000**
Less than one year	879	-	-
One to five years	851	-	-
More than five years	-	-	-
Total undiscounted lease liabilities	**1,730**	**-**	**-**
Lease liabilities included in Other liabilities			
Current	849	-	-
Non-current	830	-	-
Total Lease liabilities included in Other liabilities	**1,679**	**-**	**-**

Amounts recognised in the Statement of cash flows	**Unaudited 30 Jun 2019 $000**	**Unaudited 30 Jun 2018 $000**	**Audited 31 Dec 2018 $000**
Total cash outflow for leases	418	-	-

15. Related Party Transactions

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

Nature of transactions and balances with related parties

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

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

Ultimate Parent Bank

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

The amount due from NZ Branch consists of management fee in return for the provision for the administrative and management services to the NZ Branch.

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

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

Recognised in	Unaudited 30 Jun 2019		Unaudited 30 Jun 2018		Audited 31 Dec 2018	
	NZ Branch $000	Ultimate Parent Bank $000	NZ Branch $000	Ultimate Parent Bank $000	NZ Branch $000	Ultimate Parent Bank $000
Statement of Comprehensive Income						
Interest income	-	60	-	19	-	145
Interest expense	-	(5,178)	-	(10,893)	-	(16,548)
Non-interest income / (expense)						
Unrealised gain/(loss) on derivatives	-	1,028	-	13,506	-	220
Unrealised gain/(loss) on financial liabilities at fair value through profit or loss		1,714		218		(1,352)
Management fee income	3,289	-	-	-	3,443	-
Loss on early redemption of FC borrowing	-	-	-	(18,341)	-	(26,135)
Gain on early termination of derivatives	-	-	-	19,191	-	25,624
Total Profit or Loss impact	**3,289**	**(2,376)**	**-**	**3,700**	**3,443**	**(18,046)**
Balance Sheet						
Due from related parties						
Cash and liquid assets	-	641	-	1,098	-	698
Other assets	784	-	-	460	-	76
Derivative financial assets	-	25,650		17,185	-	20,514
Total Assets	**784**	**26,291**	**-**	**18,743**	**-**	**21,288**
Subordinated Debt	-	15,124	-	15,128	-	15,129
Due to related parties						
Deposits and overnights placements	2,756	-	13,144	-	9,699	-
Borrowings at fair value through profit or loss	-	152,767		147,892		151,082
Borrowings at amortised cost	-	258,862		329,373	-	259,446
Derivative financial liabilities	-	5,401	-	1,212	-	2,536
Total Liabilities	**2,756**	**432,154**	**13,144**	**493,605**	**9,699**	**428,193**

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

There were no debts with any related parties written off or forgiven during the six months ended 30 June 2019 (30 June 2018: nil, 31 December 2018: nil).

Provision for impairments on credit exposure of nil have been recognised in respect of the related party assets as at 30 June 2019 (30 June 2018: nil, 31 December 2018: nil).

16. Fair Value of Financial Instruments

Classification of financial instruments and estimates of fair value

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

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

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

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

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

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

"Level 1" – Quoted market price

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

"Level 2" – Valuation technique using observable inputs

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

"Level 3" – Valuation technique with significant non-observable input

Fair value measurement where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

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

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

There have been no transfers between Level 1 and 2 of the fair value hierarchy during the period ended 30 June 2019 (30 June 2018: nil, 31 December 2018: nil). There have been no transfers into/out of Level 3 during the period ended 30 June 2019 (30 June 2018: nil, 31 December 2018: nil).

(b) Fair value of financial instruments not measured at fair value

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

As at 30 June 2019 (Unaudited)	At amortised cost $000	At FVOCI $000	At FVTPL $000	Fair value - Derivative instruments $000	Total Carrying amount $000	Fair value $000
Financial assets at amortised cost						
Cash and balances with central banks	6,844	-	-	-	6,844	6,844
Due from other financial institutions	183,413	-	-	-	183,413	183,417
Investment securities	-	40,248	150,472	-	190,720	190,720
Loans and advances	1,118,018	-	-	-	1,118,018	1,271,437
Due from related parties	1,425	-	-	-	1,425	1,425
Derivative financial assets	-	-	-	38,739	38,739	38,739
Other assets	38	-	-	-	38	38
Total financial assets at amortised cost	**1,309,738**	**40,248**	**150,472**	**38,739**	**1,539,197**	**1,692,620**
Financial liabilities at amortised cost						
Deposits from customers	189,782	-	-	-	189,782	191,112
Debt securities issued	691,130	-	-	-	691,130	712,735
Due to other financial institutions	-	-	-	-	-	-
Due to related parties	261,618	-	152,767	-	414,385	411,118
Subordinated Debt	15,124	-	-	-	15,124	16,881
Derivative financial liabilities	-	-	-	6,922	6,922	6,922
Other liabilities	1,679	-	-	-	1,679	1,679
Total financial liabilities at amortised cost	**1,159,333**	**-**	**152,767**	**6,922**	**1,319,022**	**1,340,447**

As at 30 June 2018 (Unaudited)	At amortised cost $000	At FVOCI $000	At FVTPL $000	Fair value - Derivative instruments $000	Total Carrying amount $000	Fair value $000
Financial assets at amortised cost						
Cash and balances with central banks	50,611	-	-	-	50,611	50,611
Due from other financial institutions	151,823	-	-	-	151,823	151,823
Investment securities	-	-	147,724	-	147,724	147,724
Loans and advances	1,268,778	-	-	-	1,268,778	1,435,539
Due from related parties	1,558	-	-	-	1,558	1,558
Derivative financial assets	-	-	-	22,970	22,970	22,970
Other assets	45	-	-	-	45	45
Total financial assets at amortised cost	**1,472,815**	**-**	**147,724**	**22,970**	**1,643,509**	**1,810,270**
Financial liabilities at amortised cost						
Deposits from customers	347,751	-	-	-	347,751	348,955
Debt securities issued	547,766	-	-	-	547,766	563,543
Due to other financial institutions	25,004	-	-	-	25,004	25,004
Due to related parties		-	147,892	-	147,892	147,892
Subordinated Debt	15,128	-	-	-	15,128	17,177
Derivative financial liabilities	-	-	-	4,452	4,452	4,452
Total financial liabilities at amortised cost	**935,649**	**-**	**147,892**	**4,452**	**1,087,993**	**1,107,023**

As at 31 December 2018 (Audited)	At amortised cost $000	At FVOCI $000	At FVTPL $000	Fair value - Derivative instruments $000	Total Carrying amount $000	Fair value $000
Financial assets at amortised cost						
Cash and balances with central banks	50,698	-	-	-	50,698	50,698
Due from other financial institutions	300,528	-	-	-	300,528	300,528
Investment securities	-	38,986	149,343	-	188,329	188,329
Loans and advances	983,489	-	-	-	983,489	1,166,393
Due from related parties	774	-	-	-	774	774
Derivative financial assets	-	-	-	28,694	28,694	28,694
Other assets	65	-	-	-	65	65
Total financial assets at amortised cost	**1,335,554**	**38,986**	**149,343**	**28,694**	**1,552,577**	**1,735,481**
Financial liabilities at amortised cost						
Deposits from customers	201,610	-	-	-	201,610	202,608
Debt securities issued	690,246	-	-	-	690,246	748,765
Due to other financial institutions	-	-	-	-	-	-
Due to related parties	269,145	-	151,082	-	420,227	278,949
Subordinated Debt	15,129	-	-	-	15,129	15,733
Derivative financial liabilities	-	-	-	5,725	5,725	5,725
Total financial liabilities at amortised cost	**1,176,130**	**-**	**151,082**	**5,725**	**1,332,937**	**1,251,780**

For cash and balances with central banks, due from/to other financial institutions and non-derivative balances due from related parties which are carried at amortised cost and other types of short term financial instruments recognised in the balance sheet under "other assets" and "other liabilities", the carrying amounts are considered to approximate the fair values. These financial instruments are either short-term in nature, or re-price frequently and are of a high credit rating. A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 21 "Fair Value of Financial Instruments" in the Bank's full year Disclosure Statement for the year ended 31 December 2018.

17. Net Cash Flows used in Operating Activities

For the six months ended	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Reconciliation of profit after income tax to net cash flows from (used in) operating activities			
Profit after income tax	6,487	8,156	12,121
Adjustments:			
Impairment losses on credit exposures	311	(1,005)	249
Depreciation and amortisation	709	366	675
Deduct/(add) items reclassified as financing activities	15,428	19,249	28,478
Income tax expense *	(3,823)	(523)	1,027
Movement in fair value of financial assets and liabilities *	(2,151)	(1,250)	13,095
Movement in interest accruals *	145	(1,946)	419
Net (increase)/decrease in operating assets:			
GST receivable	26	16	(4)
Loans and advances *	(134,972)	376,799	657,669
Due from related parties [1]	(707)	173	98
Other assets	(23)	161	211
Net increase/(decrease) in operating liabilities:			
Due to other financial institutions *	-	25,000	-
Deposits from customers *	(12,126)	(110,400)	(256,566)
Net cash flow from (used in) operating activities	**(130,696)**	**314,796**	**457,472**

* *Comparative information for 30 June 2018 has been reclassified to ensure consistency with current year reporting.*

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

18. Commitments and Contingent Liabilities

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

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

On adoption of NZ IFRS 16, leasing commitments relate to rental of the Bank's premises and computer equipment are now being recorded through "other liabilities" and the interest expense on lease liability and depreciation on right-of-use asset is being charged to profit or loss.

Prior to the adoption of the standard, these commitments were recorded as "lease commitments" and operating lease expenses were charged to profit or loss on a straight-line basis over the term of the lease.

Credit related and other commitments (contractual or notional amount) and contingent liabilities arising in respect of the Bank's operations as at 30 June 2019 were:

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Credit related commitments and contingent liabilities			
Commitments to extend credit	235,211	178,552	167,106
Financial guarantees	383	2,063	383
Standby letters of credit	-	-	-
Trade letters of credit	-	-	-
Non-financial guarantees	4,749	5,158	4,744
Total Credit related commitments and contingent liabilities	**240,343**	**185,773**	**172,233**
Other commitments			
Rental / lease commitments less than 1 year	N/A	1,000	1,022
Rental / lease commitments greater than 1 year	N/A	1,998	1,508
Capital commitment	-	-	-
Total Other commitments	-	**2,998**	**2,530**
Total commitments	**240,343**	**188,771**	**174,763**

There were no other contingent liabilities as at 30 June 2019 (30 June 2018: nil, 31 December 2018: nil).

19. Concentration of Credit Exposures

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

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

As at 30 June 2019 Unaudited	Cash and balances with central banks $000	Due from other financial institutions $000	Investment securities $000	Derivative financial assets $000	Loans and advances $000	Due from related parties $000	Total (on-balance sheet) $000	Credit commitments & contingent liabilities $000
Industry sector								
Agriculture, Forestry and Fishing	-	-	-	-	16,294	-	16,294	1,179
Mining	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	28,711	-	28,711	-
Electricity, gas, water and waste services	-	-	-	-	52,544	-	52,544	15,583
Construction	-	-	-	-	231,625	-	231,625	144,197
Retail trade	-	-	-	-	-	-	-	295
Accommodation and food services	-	-	-	-	2,717	-	2,717	-
Transport, postal and warehousing	-	-	-	-	-	-	-	-
Information media and telecommunications	-	-	-	-	6,293	-	6,293	-
Financial and insurance services	6,844	183,433	190,720	38,739	-	-	419,736	6,362
Rental, hiring and real estate services	-	-	-	-	118,096	-	118,096	1,543
Arts and Recreation Services	-	-	-	-	-	-	-	-
Professional, scientific and technical services	-	-	-	-	404	-	404	-
Public administration and safety	-	-	-	-	-	-	-	28,497
Personal lending	-	-	-	-	666,565	-	666,565	42,687
Subtotal	**6,844**	**183,433**	**190,720**	**38,739**	**1,123,249**	**-**	**1,542,985**	**240,343**
Unearned income	-	-	-	-	(2,490)	-	(2,490)	-
Loan origination fees	-	-	-	-	1,127	-	1,127	-
Fair value hedge adjustments	-	-	-	-	1,039	-	1,039	-
Provisions for impairment losses	-	(20)	-		(4,907)	-	(4,927)	-
Due from related parties	-	-	-	-	-	1,425	1,425	-
Total credit exposures	**6,844**	**183,413**	**190,720**	**38,739**	**1,118,018**	**1,425**	**1,539,159**	**240,343**
Geographical area *								
New Zealand	6,844	77,212	40,251	6,428	686,345	784	817,864	233,981
Overseas	-	106,201	150,469	32,311	431,673	641	721,295	6,362
Total credit exposures	**6,844**	**183,413**	**190,720**	**38,739**	**1,118,018**	**1,425**	**1,539,159**	**240,343**

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

Concentration of credit exposure to individual counterparties

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

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

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

The peak end-of-day exposure aggregate credit exposure to an individual counterparty or a group of closely related counterparties has been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure for the period six months ended 30 June 2019 and then dividing that by the Bank's Common Equity Tier 1 capital as at the reporting date for the disclosure

As at 30 June 2019 (Unaudited)								
	Number of Bank Counterparties				Number of Non-Bank Counterparties			
% of Common Equity Tier 1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
As at Balance date								
10% - 14%	-	-	-	-	1	-	6	7
15% - 19%	1	-	-	1	-	-	1	1
20% - 24%	-	-	-	-	-	-	-	-
25% - 29%	-	1	-	1	-	-	1	1
30% - 34%	-	-	-	-	-	-	-	-
35% - 39%	1	-	-	1	-	-	-	-
45% - 49%	-	-	-	-	-	-	1	1
55% - 59%	-	-	-	-	-	-	-	-
65% - 69%	-	-	-	-	-	-	-	-
Total	**2**	**1**	**-**	**3**	**1**	**-**	**9**	**10**
Peak exposure								
10% - 14%	1	-	-	1	1	-	6	7
15% - 19%	-	-	-	-	-	-	1	1
20% - 24%	-	-	-	-	-	-	-	-
25% - 29%	1	-	-	1	-	-	1	1
30% - 34%	-	1	-	1	-	-	-	-
35% - 39%	-	-	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-	1	1
55% - 59%	2	-	-	2	-	-	-	-
65% - 69%	-	2	-	2	-	-	-	-
Total	**4**	**3**	**-**	**7**	**1**	**-**	**9**	**10**

As at 30 June 2018 (Unaudited)								
	Number of Bank Counterparties				Number of Non-Bank Counterparties			
% of Common Equity Tier 1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
As at Balance date								
10% - 14%	-	-	-	-	1	-	2	3
15% - 19%	-	-	-	-	-	-	2	2
20% - 24%	-	-	-	-	-	-	1	1
25% - 29%	1	-	-	1	-	-	1	1
30% - 34%	-	-	-	-	-	-	-	-
35% - 39%	1	-	-	1	-	-	1	1
40% - 44%	-	-	-	-	-	-	-	-
45% - 49%	-	-	-	-	-	-	1	1
50% - 54%	-	-	-	-	-	-	-	-
Total	**2**	**-**	**-**	**2**	**1**	**-**	**8**	**9**
Peak exposure								
10% - 14%	1	-	-	1	-	-	7	7
15% - 19%	-	-	-	-	1	-	-	1
20% - 24%	-	-	-	-	-	-	2	2
25% - 29%	1	-	-	1	-	-	1	1
30% - 34%	-	-	-	-	-	-	1	1
35% - 39%	1	-	-	1	-	1	1	2
40% - 44%	-	-	-	-	-	-	1	1
45% - 49%	-	-	-	-	-	1	1	2
50% - 54%	-	-	-	-	-	-	-	-
Total	**3**	**-**	**-**	**3**	**1**	**2**	**14**	**17**

As at 31 December 2018 (Audited)								
	Number of Bank Counterparties				Number of Non-Bank Counterparties			
% of Common Equity Tier 1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
As at Balance date								
10% - 14%	1	-	-	**1**	1	-	3	**4**
15% - 19%	-	-	-	**-**	-	-	-	**-**
25% - 29%	-	1	-	**1**	-	-	1	**1**
30% - 34%	-	1	-	**1**	-	-	-	**-**
35% - 39%	-	-	-	**-**	-	-	-	**-**
45% - 49%	-	-	-	**-**	-	-	1	**1**
65% - 69%	-	1	-	**1**	-	-	-	**-**
Total	**1**	**3**	**-**	**4**	**1**	**-**	**5**	**6**
Peak exposure								
10% - 14%	1	-	-	**1**	1	-	5	**6**
15% - 19%	1	-	-	**1**	-	-	1	**1**
20% - 24%	-	-	-	**-**	-	-	1	**1**
25% - 29%	1	-	-	**1**	-	-	1	**1**
30% - 34%	-	1	-	**1**	-	-	1	**1**
35% - 39%	1	1	-	**2**	-	-	-	**-**
45% - 49%	-	-	-	**-**	-	-	1	**1**
65% - 69%	-	1	-	**1**	-	-	-	**-**
Total	**4**	**3**	**-**	**7**	**1**	**-**	**10**	**11**

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

20. Concentration of Funding

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

As at	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Total funding comprises			
Due to other financial institutions	-	25,004	-
Deposits from customers	189,782	347,751	201,610
Debt securities issued	691,130	547,766	690,246
Due to related parties	414,385	490,409	420,227
Subordinated debt	15,124	15,128	15,129
Total funding	**1,310,421**	**1,426,058**	**1,327,212**
Concentration of funding by industry sector			
Accommodation and food services	1	4	4
Agriculture, forestry and fishing	313	14,759	2,849
Construction	4,830	19,697	5,305
Electricity, gas, water and waste services	-	-	-
Financial and insurance services	820,364	552,018	803,570
Households	4,604	165,535	24,835
Manufacturing	120	999	219
Local government administration	-	-	-
Public administration and safety	-	90,143	20,051
Rental, hiring and real estate services	3,490	22,094	5,570
Retail trade	6,513	343	327
Transport, postal and warehousing	11,979	19,172	16,947
Wholesale trade	218	5,614	630
Other	28,480	30,143	11,549
Subtotal	**880,912**	**920,521**	**891,856**
Due to related parties (including Subordinated debt)	429,509	505,537	435,356
Total funding	**1,310,421**	**1,426,058**	**1,327,212**
Concentration of funding by geographical areas [1]			
New Zealand*	855,191	732,500	876,707
China*	374,280	616,845	393,545
Australia*	52,484	52,051	37,285
Rest of Overseas	28,466	24,662	19,675
Total funding	**1,310,421**	**1,426,058**	**1,327,212**

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

* *Comparative information for 31 December 2018 has been reclassified to ensure consistency with current year reporting.*

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

Insurance

The Bank does not conduct any insurance business.

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

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

22. Risk Management

There have been no material changes to the risk management policies and no new categories of risk to which the Bank has become exposed since 31 December 2018.

(a) Liquidity portfolio management

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

As at	Note	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Cash and cash equivalents:				
Cash and balances with central banks	5	6,844	50,611	50,698
Due from other financial institutions (call or original maturity of 3 months or less)		118,121	151,823	300,528
Due from related parties[1]		641	1,100	698
Total Cash and cash equivalent		**125,606**	**203,534**	**351,924**
Investment securities				
Registered bank securities (net of provision)	7	27,262	-	-
RBNZ Bills	7	12,986	-	38,986
Total liquidity portfolio		**165,854**	**203,534**	**390,910**

[1] Due from related parties includes Nostro account balance held with the Ultimate Parent Bank as at 30 June 2019, 30 June 2018 and 31 December 2018.

(b) Contractual maturity analysis of financial liabilities

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

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

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

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

As at 30 June 2019 Unaudited	On Demand $000	Up to 3 months $000	Over 3 months & up to 1 year $000	Over 1 year & up to 5 years $000	Over 5 years $000	Total $000	Carrying Amount $000
Non derivative financial liabilities							
Deposits from customers	33,750	56,454	101,082	406	-	191,692	189,782
Debt securities issued	-	46,137	98,577	596,603	-	741,317	691,130
Due to related parties	2,756	39,135	242,670	135,011	-	419,572	414,385
Subordinated Debt	-	124	372	16,447	-	16,943	15,124
Total non-derivative financial liabilities	**36,506**	**141,850**	**442,701**	**748,467**	**-**	**1,369,524**	**1,310,421**
Derivative financial liabilities							
Net settled	-	4,990	-	-	-	4,990	
Gross settled – cash inflow	-	(191)	(1,990)	(517)	-	(2,698)	
Gross settled – cash outflow	-	684	2,283	1,276	-	4,243	
Total derivative financial liabilities	**-**	**5,483**	**293**	**759**	**-**	**6,535**	**6,922**

(c) Interest rate risk

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

- Interest rate repricing gap limits: This includes both limits on the aggregate net position, curve risk and limits applied to the short or long position for each repricing time bucket.

- Simulations using interest rate scenarios are used to provide a series of potential net interest income (NII) outcomes. NII is modelled using a 1 basis point parallel shift in the yield curve above and below current levels. NII outcomes from these yield curve shocks are monitored and reported internally with management ensuring positions remain within prescribed management limits. Additional stressed interest rate scenarios are also considered and modelled.

(d) Interest rate repricing gap analysis

The following table presents the Bank's assets and liabilities at their carrying amounts as at 30 June 2019, categorised by the earlier of the contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Bank's exposure to interest rate movements, are included under the heading "Non-interest bearing".

As at 30 June 2019 Unaudited	Up to 3 months $000	Over 3 months & up to 6 months $000	Over 6 months & up to 1 year $000	Over 1 year & up to 2 years $000	Over 2 years $000	Non-interest bearing $000	Total $000
Financial assets							
Cash and balances with central banks	6,844	-	-	-	-	-	6,844
Due from other financial institutions	133,061	50,000	-	-	-	352	183,413
Investment securities	40,254	-	149,223	-	-	1,243	190,720
Derivative financial assets	-	-	-	-	-	38,739	38,739
Loans and advances	503,341	195,692	247,968	157,995	16,310	(3,288)	1,118,018
Due from related parties	1,425	-	-	-	-	-	1,425
Total financial assets	**684,925**	**245,692**	**397,191**	**157,995**	**16,310**	**37,046**	**1,539,159**
Non-financial assets	-	-	-	-	-	4,568	4,568
Total assets	**684,925**	**245,692**	**397,191**	**157,995**	**16,310**	**41,614**	**1,543,727**
Financial liabilities							
Derivative financial liabilities						6,922	6,922
Deposits from customers	106,047	37,080	44,358	238	-	2,059	189,782
Debt securities issued	216,478	10,000	49,496	114,500	285,426	15,230	691,130
Due to related parties	216,221	-	149,066	44,783	-	4,315	414,385
Subordinated debt	15,000	-	-	-	-	124	15,124
Total financial liabilities	**553,746**	**47,080**	**242,920**	**159,521**	**285,426**	**28,650**	**1,317,343**
Non-financial liabilities						4,118	4,118
Total liabilities	**553,746**	**47,080**	**242,920**	**159,521**	**285,426**	**32,768**	**1,321,461**
On-balance sheet interest rate repricing gap	131,179	198,612	154,271	(1,526)	(269,116)	8,846	222,266
Net derivative notional amount	(166,563)	(95,111)	(71,883)	58,557	275,000	-	-
Net interest rate repricing gap	**(35,384)**	**103,501**	**82,388**	**57,031**	**5,884**	**8,846**	**222,266**

23. Capital Adequacy

The Bank is subject to the capital adequacy requirements for registered banks as specified by the Reserve Bank. The Reserve Bank has set minimum regulatory capital requirements that are consistent with the internationally agreed framework (commonly known as Basel III) developed by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide methods for measuring the risks incurred by the Bank.

The objective of the Basel III Framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks. Basel III consists of three pillars – Pillar One covers the capital requirements for banks for credit, operational and market risks. Pillar Two covers all other material risks not already included in Pillar One, and Pillar Three relates to market disclosure. As a bank adopting a Standardised approach under the Basel III regime, the Bank applies the Reserve Bank's BS2A Capital Adequacy Framework (Standardised Approach) for calculating regulatory capital requirements.

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

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

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

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

In addition to minimum capital requirements, Basel III introduces a capital conservation buffer of 2.5 per cent of risk-weighted assets. There are increasing constraints on capital distributions where a bank's capital level falls within the buffer range, which are specified in the conditions of registration on pages 6 to 12 of the full year ended 31 December 2018 Disclosure Statement.

Capital management

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

The Bank's ICAAP is a documented process that describes not only the risk appetite and tolerances of the Bank, but also the levels of capital held against risks, including credit, market, operational and other material risks. The Bank's ICAAP is reviewed and approved at least annually by senior management and the Board and the process includes consideration of stress tests and future strategic requirements. The Bank also considers other stakeholders' requirements when managing capital.

The Bank manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders, return/issue capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes during the six months period ended 30 June 2019. There were no significant capital initiatives undertaken during the six months period ended 30 June 2019.

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital, risk-weighted assets and the capital adequacy ratios for the Bank as at 30 June 2019. During the year, the Bank complied in full with all externally imposed Reserve Bank capital requirements as set out in the Bank's conditions of registration.

Capital

The table below shows the qualifying capital for the Bank.

Regulatory Capital	Unaudited 30 Jun 2019 $000	Unaudited 30 Jun 2018 $000	Audited 31 Dec 2018 $000
Tier 1 Capital			
Common Equity Tier 1 capital			
Issued and fully paid-up ordinary share capital	199,178	199,178	199,178
Retained earnings (net of appropriations)	23,174	12,722	16,687
Accumulated other comprehensive income and other disclosed reserves [1]	(86)	(80)	(197)
Less deductions from Common Equity Tier 1 capital			
Intangible assets	104	183	127
Cash flow hedge reserve	(84)	(80)	(197)
Deferred tax assets	1,990	1,584	1,852
Total Common Equity Tier 1 capital	**220,256**	**210,133**	**213,886**
Additional Tier 1 capital	-	-	-
Total Additional Tier 1 capital	-	-	-
Total Tier 1 capital	**220,256**	**210,133**	**213,886**
Tier 2 capital			
Subordinated notes	12,000	15,000	15,000
Less deductions from Tier 2 capital			
Allowance for tax under BS2A	-	-	-
Total Tier 2 capital	**12,000**	15,000	15,000
Total capital	**232,256**	**225,133**	**228,886**

[1] *Accumulated other comprehensive income and other disclosed reserves' consist of FVOCI revaluation reserve of ($2,000) and cash flow hedge reserve of ($84,000).*

Capital instruments

Ordinary shares

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

In relation to the ordinary shares:

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

Subordinated notes

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

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

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

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

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

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

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

Credit risk

On-balance sheet exposures

As at 30 June 2019 (Unaudited)	Total exposure after credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	170,302	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	-	-	-	-
Banks	75,477	20%	15,095	1,208
Banks	136,627	50%	68,314	5,465
Banks	-	100%	-	-
Corporate-without recognised mitigation	457,559	100%	457,559	36,605
Residential mortgages (owner occupied) not past due-LVR up to 80%	441,194	35%	154,418	12,353
Residential mortgages (investment) not past due-LVR up to 80%	221,755	40%	88,702	7,096
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	2,474	100%	2,474	198
Non-risk weighted assets	38,339	-	-	-
Total on-balance sheet exposures	**1,543,727**		**786,562**	**62,925**

Off-balance sheet exposures and market related contracts

As at 30 June 2019 (Unaudited)	Total exposure $000	Credit conversion factor $000	Credit equivalent amount $000	Average risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Direct credit substitute	383	100%	383	0%	-	-
Revolving underwriting facility	58,497	50%	29,249	61%	17,842	1,427
Performance-related contingency	4,749	50%	2,375	100%	2,375	190
Other commitments where original maturity is more than one year	134,027	50%	67,014	100%	67,014	5,361
Other commitments where original maturity is less than or equal to one year	42,687	20%	8,537	40%	3,415	273
Market related contracts [1]						
(a) Foreign exchange contracts	417,544	NA	31,346	50%	15,673	1,254
(b) Interest rate contracts (exposure more than 1 year	1,047,386	NA	22,054	55%	12,130	970
(c) Credit valuation adjustment					25,188	2,015
Total off-balance sheet exposures	**1,705,273**		**160,958**		**143,637**	**11,490**

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

Additional mortgage information

Residential mortgages by loan-to-valuation ratio

As at 30 June 2019 (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan-to-valuation ratio				-
On-balance sheet exposures	662,949	-	-	662,949
Off-balance sheet exposures	42,687	-	-	42,687
Value of exposures	**705,636**	**-**	**-**	**705,636**

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

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

The following table is 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 2019 (Unaudited)	Note	$000
Residential mortgages	8	666,565
Reconciling items:		
Less: - Provision for impairment losses on credit exposures	9. (a)	(3,616)
On-balance sheet exposures		**662,949**
Off-balance sheet exposures		42,687
Total Residential mortgages exposures		**705,636**

Credit risk mitigation

As at 30 June 2019 (Unaudited)	Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting) $000	Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives $000
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	383	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	**383**	-

Operational risk

As at 30 June 2019 (Unaudited)	Implied weighted exposure $000	Total operational risk capital $000
Operational risk	106,296	8,504

Market risk

	End-period capital charges		Peak end-of-day capital charge	
As at 30 June 2019 (Unaudited)	Implied risk weighted exposure $000	Aggregate capital charge $000	Implied risk weighted exposure $000	Aggregate capital charge $000
Interest rate risk	23,829	1,906	30,748	2,460
Foreign currency risk	2,632	211	6,456	516
Equity risk	-	-	-	-
Total	**26,461**	**2,117**	**37,204**	**2,976**

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 2019 of the aggregate capital charge at the close of each business day derived in accordance with Part 10 of the Reserve Bank document BS2A Capital Adequacy Framework (Standardised Approach).

Total capital requirements

As at 30 June 2019 (Unaudited)	Total exposure after credit risk mitigation $000	Risk weighted exposure or implied risk weighted exposure $000	Total capital requirement $000
Total credit risk + equity	1,704,685	930,199	74,416
Operational risk	n/a	106,296	8,504
Market risk	n/a	26,461	2,117
Total	**1,704,685**	**1,062,956**	**85,037**

Capital requirements for other material risks

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

The Bank's internal capital allocation for other material risks for the six months ended 30 June 2019 is $44.4million (30 June 2018: nil; 31 December 2018: $44.4 million). Since the registration of the Bank, the Board has included an extra 2% capital buffer to cover these risks taking the total capital ratio to a minimum of 12.5%.

Capital ratios of the Bank

As at	Unaudited 30 Jun 2019 %	Unaudited 30 Jun 2018 %	Unaudited 31 Dec 2018 %
Capital adequacy ratios			
Common Equity Tier 1 capital ratio	20.72%	18.81%	20.71%
Tier 1 capital ratio	20.72%	18.81%	20.71%
Total capital ratio	21.85%	20.15%	22.16%
Reserve Bank minimum ratio requirements			
Common Equity Tier 1 capital ratio	4.50%	4.50%	4.50%
Tier 1 capital ratio	6.00%	6.00%	6.00%
Total capital ratio	8.00%	8.00%	8.00%
Buffer ratio			
Buffer ratio	13.85%	12.15%	14.16%
Buffer ratio requirement	2.50%	2.50%	2.50%

Capital adequacy of Ultimate Parent Bank Group and Ultimate Parent Bank

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

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

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 Ultimate Parent Bank and the Ultimate Parent Bank Group are required by the China Banking and Insurance Regulatory Commission ("CBIRC") to hold minimum capital at least equal to that specified under the Basel III standardised approach and are required to publicly disclose this capital adequacy information on a quarterly basis. This information is available via the Ultimate Parent Bank's website (www.ccb.com).

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBIRC as at 31 March 2019, the latest reporting date.

The capital ratios below have been calculated in accordance with the Measures for Capital Management of Commercial Banks (Trial), issued by the CBIRC.

As at	31 Mar 2019 %	30 Jun 2018 %	31 Dec 2018 %
Ultimate Parent Bank Group			
Common Equity Tier 1 capital ratio	13.83%	13.08%	13.83%
Tier 1 capital ratio	14.39%	13.68%	14.42%
Total capital ratio	17.14%	15.64%	17.19%
Ultimate Parent Bank			
Common Equity Tier 1 capital ratio	13.71%	12.87%	13.74%
Tier 1 capital ratio	14.25%	13.43%	14.30%
Total capital ratio	17.17%	15.49%	17.22%

24. Regulatory Liquidity Ratios

The following table shows the average regulatory liquidity ratios over the three-month period ended on 30 June 2019 and the three month period ended on 31 March 2019.

As at	Reserve Bank minimum ratio requirements	Unaudited 30 Jun 2019 %	Unaudited 31 Mar 2019 %
Liquidity ratios			
The one-week mismatch ratio	0%	11.0%	11.6%
The one-month mismatch ratio	0%	29.8%	33.2%
The core funding ratio	75%	110.7%	122.9%

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

25. Events subsequent to the reporting date

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

Abbreviations

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

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

We have reviewed pages 7 to 36 of the Disclosure Statement of China Construction Bank (New Zealand) Limited (the "Bank") for the six month period ended 30 June 2019 which includes the interim financial statements required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information required by Schedules 5, 7, 9, 13, 16 and 18 of the Order. The interim financial statements comprise the balance sheet as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and cash flow statement for the six months then ended, and the notes to the interim financial statements that include the statement of accounting policies and selected explanatory information for the Bank.

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

Directors' responsibilities

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

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

Reviewer's responsibilities

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

Our responsibility in relation to the interim financial statements (excluding the supplementary information disclosed in Notes 4, 9 and 19 to 24 and the 'Interest earning and discount bearing assets' and 'Interest and discount bearing liabilities' disclosed on page 9 ("supplementary information")) is to express a conclusion as to whether, on the basis of procedures performed by us, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

Our responsibility in relation to the supplementary information (excluding information relating to capital adequacy in Note 23 and the regulatory liquidity ratios disclosed in Note 24) prescribed by Schedules 5, 7, 13, 16 and 18 of the Order is to express a conclusion as to whether, on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state, in all material respects, the matters to which it relates in accordance with those Schedules.

Our responsibility in relation to supplementary information relating to capital adequacy disclosed in Note 23 and regulatory liquidity requirements (being the regulatory liquidity ratios disclosed in Note 24) that is required to be disclosed under Schedule 9 of the Order is to express a conclusion as to whether, on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

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

Building a better working world

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

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

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

- the interim financial statements on pages 7 to 36 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*;
- the supplementary information (excluding information relating to capital adequacy disclosed in Note 23 and the regulatory liquidity ratios disclosed in Note 24) prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state, in all material respects, the matters to which it relates in accordance with those Schedules; and
- the supplementary information relating to capital adequacy (disclosed in Note 23) and regulatory liquidity requirements (being the regulatory liquidity ratios disclosed in Note 24) that is required to be disclosed under Schedule 9 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Ernst + Young

Chartered Accountants
12 August 2019
Auckland