中国银行
BANK OF CHINA

Bank of China (New Zealand) Limited

Disclosure Statement for the six months ended

30 June 2021

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1 GENERAL INFORMATION AND DEFINITIONS

The Disclosure Statement is for the six months ended the 30th of June 2021. Certain information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ("Reserve Bank Act") and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement:

- The "Bank" means Bank of China (New Zealand) Limited (Company Number 5305661);
- "Banking Group" means 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;
- "BoC" means Bank of China Limited which is the ultimate parent bank of the Bank;
- "Board" means the board of directors of the Bank;
- "China" means the People's Republic of China;
- "RMB" means Renminbi, being the official currency of China; and
- "Reserve Bank" means the Reserve Bank of New Zealand.

Words and phrases not defined in this Disclosure Statement, but defined by the Order, have the meaning given by the Order when used in this Disclosure Statement. All amounts referred to in this Disclosure Statement are in New Zealand dollars unless otherwise stated.

The Disclosure Statement of the Bank is available for download, free of charge, on the Bank's website (www.bankofchina.com/nz). A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

2 GUARANTEE ARRANGEMENTS

2.1 Details of the guarantor

As at the date this Disclosure Statement was signed, the obligations of the Bank are guaranteed by BoC, the ultimate parent bank.

The address for service of BoC is No.1, Fuxingmen Nei Dajie, Beijing 100818, People's Republic of China.

BoC is not a member of the Banking Group.

As disclosed in BoC's unaudited consolidated results for the three months ended 31st of March 2021, BoC's net capital for capital adequacy purposes was RMB 2,478,844 million and its total capital adequacy ratio was 15.71%. Capital ratios are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (Y.J.H.L [2012] No.1) issued by China Banking and Insurance Regulatory Commission.

BoC has the following credit ratings applicable to its long-term senior unsecured obligations payable in RMB as at the date this Disclosure Statement was signed:

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

During the two-year period ended immediately before the signing date, there was no change to BoC's credit ratings.

For an explanation of the credit rating scales, see the table under the "10.2 Description of credit rating scales" in the Bank's 31st of December 2020 Disclosure Statement.

2.2 Details of guaranteed obligations

As at the date the Directors signed this Disclosure Statement, subject to the terms of the Deed of Guarantee ("the Guarantee"), the obligations of the Bank are guaranteed by BoC.

A copy of the Guarantee of the Bank's indebtedness given by BoC is provided in the Bank's Disclosure Statement for the period ended the 31st of December 2020. A copy of the Disclosure Statement can be obtained from the Bank's website www.bankofchina.com/nz.

Subject to the Guarantee:

(1) The Guarantee is an unlimited, irrevocable, all monies, continuing guarantee.

(2) The Guarantee is capable of being terminated in accordance with its terms.

(3) There are no material conditions applicable to the Guarantee other than non-performance by the Bank of its 'Obligations' provided that claims are made in accordance with its terms and accompanied with the relevant information.

(4) 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, to other claims against BoC in a winding up of BoC.

(5) The Guarantee does not have an expiry date.

3 DIRECTORATE

The following changes were made to the composition of the Bank's Board since the 31st of December 2020:

Huai Yu Chen resigned as a Director of the Bank with effect from the 19th of February, 2021.

The Hon. Ruth Richardson resigned as a Director of the Bank with effect from the 11th of March, 2021.

Mang Li resigned as a Director of the Bank with effect from the 11th of May, 2021.

Timothy Bennett was appointed as a Director of the Bank on the 11th of March, 2021.

Yuan Bo Chen was appointed as a Director of the Bank on the 11th of May, 2021.

All the Directors (Hon. Chris Tremain, Timothy Bennett, Sinead Horgan, Yuan Bo Chen, Lei Wang) have authorised in writing Mr. Lei Wang to sign this Disclosure Statement on their behalf in accordance with section 82 of the Reserve Bank Act.

4 AUDITOR

The name of the Bank's auditor is PricewaterhouseCoopers. Their address is PwC Tower, Level 27, 15 Customs Street West, Auckland 1010, New Zealand.

5 CONDITIONS OF REGISTRATION

Changes to the Conditions of Registration – 1st of January 2021 to the 30th of June 2021

Update to BS13 - "Liquidity Policy" and BS13A "Liquidity Policy Annex: Liquid Assets

On the 1st of December 2020, the Bank was advised by the Reserve Bank of proposed changes to its Conditions of Registration relating to the update of *BS13 – Liquidity Policy* and *BS13A – Liquidity Policy Annex: Liquid Assets*, which initially was to come into effect on and after the 1st of February 2021. The Bank was further advised on the 31st of March 2021 of the confirmation of these changes which came into effect on and after the **1st of May 2021**. The changes were in the following areas:

1. Treatment of the Funding for Lending Program (FLP) Funding in the Core Funding Ratio (CFR) to be identical to Tradable Debt Securities issued,

2. Eligibility of Residential Mortgage Backed Securities (RMBS) in the mismatch ratios to be subject to asset encumbrance ratios.

Changes to loan-to-valuation ratios (LVRs)

On the 18th of February 2021, the Reserve Bank advised the Bank that it proposed to reinstate conditions that imposed restrictions on the Bank's new residential mortgage lending at high loan-to-valuation ratios (LVRs). On the 26th of February 2021, the Reserve Bank confirmed these changes with a two-step implementation process to give the Bank the opportunity to clear its pipelines of preapproved loans. The changes were effective as follows:

1. **From the 1st of March 2021**:

- LVR restrictions for owner-occupiers will be reinstated to a maximum of 20% of new lending at LVRs above 80% (after exemptions).
- LVR restrictions for investors will be reinstated to a maximum of 5% of new lending at LVRs above 70% (after exemptions).

2. **From the 1st of May 2021**:

- LVR restrictions for owner-occupiers will remain at a maximum of 20% of new lending at LVRs above 80% (after exemptions).
- LVR restrictions for investors will be further tightened to a maximum of 5% of new lending at LVRs above 60% (after exemptions).

Changes to Dividend Restrictions

On the 14th of April 2021, the Bank was advised by the Reserve Bank of proposed changes to the Bank's Conditions of Registration in relation to the easing of dividend restrictions. After seven days of consultation, these changes were confirmed on the 28th of April 2021 and made effective on and after the **29th of April 2021**. The changes were as follows:

- will allow the Bank to pay up to 50% of its earnings as dividends to its shareholders,
- the 50% restriction covers any dividends the Bank intends to pay from earnings in the 2020/21 financial year,
- the 50% restriction also covers any dividends paid up to the 1st of July 2022 on earnings in the 2021/22 financial year.

The 50% dividend restriction will remain in place until the 1st of July 2022, at which point the Reserve Bank intends to normalise the dividend settings by removing the restrictions entirely (subject to no significant worsening in economic conditions).

Banking Prudential Regulations

On the 17th of June 2021, the Reserve Bank informed the Bank of changes to its Conditions of Registration as a result of the publication of the Banking Prudential Regulations (BPR). The rules set out in the BPR relate to the new processes for issuing Tier 2 instruments. After a seven-day consultation period, the Reserve Bank confirmed these changes to the Bank's Conditions of Registration on the 29th of June 2021. The changes were effective on and after the **1st of July 2021.**

6 PENDING PROCEEDINGS OR ARBITRATION

As at the date of this Disclosure Statement, there are no pending legal proceedings or arbitration concerning any member of the Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Bank or the Banking Group.

7 CREDIT RATINGS

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

Credit ratings	Moody's Investor Service	Standard & Poor's
Long-term counterparty credit rating	A1	A
Outlook	Stable	Stable

During the two-year period ended immediately before the signing date, there was no change to the Bank's credit ratings.

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 agency.

Investors in the Bank's securities are cautioned to evaluate each rating independently of any other rating.

8 OTHER MATERIAL MATTERS

There are no matters relating to the business or affairs of the Banking Group which are not contained elsewhere in the Disclosure Statement and which would materially affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.

9 DIRECTORS' STATEMENTS

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

(1) the Disclosure Statement contains all the information that is required by the Order; and

(2) the Disclosure Statement is not false or misleading.

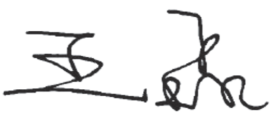
Each Director of the Bank believes, after due enquiry that, over the six months ended the 30th of June 2021:

(1) the Bank has complied with all conditions of registration; and

(2) credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and

(3) 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 the 30th of August 2021 and has been signed by Mr. Lei Wang as the Responsible Person for and on behalf of all the Directors (by Directors' resolution).



Lei Wang

Executive Director

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

STATEMENT OF COMPREHENSIVE INCOME

$000	Note	Unaudited Six months ended 30/06/21	Unaudited Six months ended 30/06/20	Audited Year ended 31/12/20
Interest income		36,294	41,602	80,987
Interest expense		(19,361)	(24,236)	(46,961)
Net interest income		**16,933**	**17,366**	**34,026**
Other operating income	2	7,516	6,071	13,572
Net operating income		**24,449**	**23,437**	**47,598**
Operating expenses		(10,998)	(9,636)	(20,374)
Impairment (charges)/benefits	3	(1,672)	1,180	(330)
Profit before income tax		**11,779**	**14,981**	**26,894**
Income tax expense		(3,277)	(4,166)	(7,490)
Profit after income tax		**8,502**	**10,815**	**19,404**
Other comprehensive income/(expense), net of tax				
Items that will not be reclassified to profit or loss:		-	-	-
Items that may be reclassified to profit or loss:				
Net change in FVTOCI revaluation reserve (net of tax)		(584)	1,549	1,403
Total other comprehensive income/(expense) for the period, net of tax		**(584)**	**1,549**	**1,403**
Total comprehensive income for the period		**7,918**	**12,364**	**20,807**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at $000	Note	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Assets				
Cash and liquid assets	4	512,387	511,275	541,672
Receivables due from other financial institutions	5	-	6,183	-
Derivative assets		1,509	3,898	3,222
FVTOCI securities		98,022	165,956	162,029
Loans and advances	6	2,281,494	1,906,442	2,183,461
Other assets		16,474	13,653	15,644
Right-of-use assets		3,129	4,149	3,673
Deferred tax assets		4,199	4,202	3,943
Property and equipment		1,679	2,350	1,958
Intangible assets		121	61	128
Total assets		**2,919,014**	**2,618,169**	**2,915,730**
Liabilities				
Customer deposits	8	839,532	467,116	741,335
Payables due to other financial institutions	9	1,433,949	1,244,575	1,350,251
Derivative liabilities		1,480	3,930	3,651
Current tax liabilities		218	2,279	2,900
Debt securities on issue	10	349,940	619,359	529,763
Other liabilities		11,983	14,483	13,453
Lease liabilities		3,112	3,988	3,495
Total liabilities		**2,640,214**	**2,355,730**	**2,644,848**
Net assets		**278,800**	**262,439**	**270,882**
Equity				
Contributed equity		223,307	223,307	223,307
Reserves		832	1,562	1,416
Retained earnings		54,661	37,570	46,159
Total equity		**278,800**	**262,439**	**270,882**
Total interest earning and discount bearing assets		2,901,219	2,596,776	2,893,751
Total interest and discount bearing liabilities		2,606,081	2,291,153	2,601,167

The above statement of financial position should be read in conjunction with the accompanying notes.

Hon. Chris Tremain
Director
30 August 2021

Lei Wang
Executive Director
30 August 2021

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 (Unaudited) $000	Contributed equity	Reserves	Retained earnings	Total equity
Balance as at 1 January 2021	223,307	1,416	46,159	270,882
Comprehensive income/(expense)				
Profit after income tax	-	-	8,502	8,502
Other comprehensive income/(expense), net of tax	-	(584)	-	(584)
Total comprehensive income/(expense)	-	(584)	8,502	7,918
Balance as at 30 June 2021	**223,307**	**832**	**54,661**	**278,800**

For the six months ended 30 June 2020 (Unaudited) $000	Contributed equity	Reserves	Retained earnings	Total equity
Balance as at 1 January 2020	223,307	13	26,755	250,075
Comprehensive income/(expense)				
Profit after income tax	-	-	10,815	10,815
Other comprehensive income/(expense), net of tax	-	1,549	-	1,549
Total comprehensive income/(expense)	-	1,549	10,815	12,364
Balance as at 30 June 2020	**223,307**	**1,562**	**37,570**	**262,439**

For the year ended 31 December 2020 (Audited) $000	Contributed equity	Reserves	Retained earnings	Total equity
Balance as at 1 January 2020	223,307	13	26,755	250,075
Comprehensive income/(expense)				
Profit after income tax	-	-	19,404	19,404
Other comprehensive income/(expense), net of tax	-	1,403	-	1,403
Total comprehensive income/(expense)	-	1,403	19,404	20,807
Balance as at 31 December 2020	**223,307**	**1,416**	**46,159**	**270,882**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the period ended $000	Note	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Cash flows from operating activities				
Interest received		37,340	43,209	83,151
Interest paid		(19,115)	(26,972)	(50,408)
Other operating income received		7,108	6,136	12,964
Operating expenses paid		(10,032)	(9,342)	(19,861)
Income tax paid		(5,988)	(8,712)	(11,083)
Net cash flows from operating activities before changes in operating assets and liabilities		**9,313**	**4,319**	**14,763**
Net changes in operating assets and liabilities:				
Net change in receivables due from other financial institutions		-	25,970	32,153
Net change in FVTOCI securities		63,195	(45,233)	(41,524)
Net change in loans and advances		(99,793)	(115,722)	(393,376)
Net change in other assets		(1,876)	(833)	(2,146)
Net change in customer deposits		98,197	161,970	436,189
Net change in payables due to other financial institutions		83,055	284,057	389,702
Net change in other liabilities		(983)	(1,313)	(1,904)
Net change in operating assets and liabilities		**141,795**	**308,896**	**419,094**
Net cash flows from operating activities		**151,108**	**313,215**	**433,857**
Cash flows from investing activities				
Purchase of property and equipment		(153)	(25)	(144)
Net cash flows from investing activities		**(153)**	**(25)**	**(144)**
Cash flows from financing activities				
Issuance of debt securities		-	140,000	140,000
Repayments of debt securities		(179,823)	(124,939)	(214,535)
Principal elements of lease payments		(417)	(431)	(961)
Net cash flows from financing activities		**(180,240)**	**14,630**	**(75,496)**
Net change in cash and cash equivalents		**(29,285)**	**327,820**	**358,217**
Cash and cash equivalents at beginning of the period		541,672	183,455	183,455
Cash and cash equivalents at end of the period	4	**512,387**	**511,275**	**541,672**

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 ACCOUNTING POLICIES

1.1 Reporting Entity

The reporting entity for the purpose of this Disclosure Statement is Bank of China (New Zealand) Limited (the "Bank"). The Bank does not prepare group financial statements as it does not have any subsidiaries.

1.2 Basis of preparation

These condensed interim financial statements of the Bank (the “financial statements”) have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), the New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) ("the Order") and should be read in conjunction with the Disclosure Statement for the year ended the 31st of December 2020. They were approved for issue by the Board of Directors of the Bank (the "Board") on the 30th of August 2021.

For the purposes of complying with NZ GAAP, the Bank is a for-profit entity.

These financial statements comply with the requirements of International Accounting Standard 34: *Interim Financial Reporting* and New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

1.3 Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts, except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments; and
- financial instruments measured at fair value through other comprehensive income.

1.4 Presentation currency and rounding

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). All amounts contained in the financial statements are presented in thousands of New Zealand dollars, which is the Bank's functional and presentation currency, unless otherwise stated.

1.5 Changes in accounting policy

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended the 31st of December 2020.

1.6 Critical accounting estimates and judgements

The preparation of these financial statements requires the use of critical estimates, judgements and assumptions that affect the reported assets, liabilities, revenue and expenses. Information regarding the critical estimates, judgements and assumptions is provided in the financial statements for the year ended 31 December 2020.

The estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Except where explained below, there have been no significant changes to the accounting estimates, judgements and assumptions used in preparing the financial statements compared to those applied in the preparation of the Disclosure Statement for the year ended 31 December 2020.

The Bank has considered the impact of COVID-19 in determining the estimates, judgements and assumptions used to prepare the financial statements. Consistent with the prior period the most significant area impacted by COVID- 19 is the measurement of the provision for impairment. Refer to Note 7 for further details.

1.7 Restatement of prior year comparatives

There was a classification error identified and corrected in the comparative information of the statement of cash flows for the six months ended 30th of June 2020 in relation to interest paid on debt securities. This amount was incorrectly classified as interest paid on debt securities within cash flows from financing activities rather than as interest paid within cash flows from operating activities. This change to comparative information for the six months ended 30th of June 2020 has resulted in interest paid on debt securities within cash flows from financing activities being restated from ($8,963 thousand) to $nil and interest paid within cash flows from operating activities being restated from ($18,009 thousand) to ($26,972 thousand).

The impact of this correction had no impact on cash and cash equivalents, net assets or total comprehensive income previously reported in the prior period for the six months ended 30th of June 2020.

2 OTHER OPERATING INCOME

$000	Unaudited Six months ended 30/06/21	Unaudited Six months ended 30/06/20	Audited Year ended 31/12/20
Lending and credit facility related fee income	244	345	612
Fund management fee and consulting fee income	1,787	1,709	3,749
Other fees and commissions[1]	4,541	3,558	7,599
Net gains/(losses) on financial instruments	944	459	1,612
Total other operating income	**7,516**	**6,071**	**13,572**

[1]Other fees and commissions includes account management fees and transaction fees

3 IMPAIRMENT (CHARGES)/BENEFITS

For the six months ended 30 June 2021 (Unaudited) $000	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	(228)	(1,534)	90	(1,672)
Movement in individually assessed provision	-	-	-	-
Bad debts written-off directly to the profit or loss	-	-	-	-
Bad debts recovered	-	-	-	-
Total Impairment (charges)/benefits	**(228)**	**(1,534)**	**90**	**(1,672)**
For the six months ended 30 June 2020 (Unaudited) $000				
Movement in collective provision	1,165	321	(118)	1,368
Movement in individually assessed provision	-	(188)	-	(188)
Bad debts written-off directly to the profit or loss	-	-	-	-
Bad debts recovered	-	-	-	-
Total Impairment (charges)/benefits	**1,165**	**133**	**(118)**	**1,180**
For the year ended 31 December 2020 $000				
Movement in collective provision	993	(1,928)	88	(847)
Movement in individually assessed provision	-	517	-	517
Bad debts written-off directly to the profit or loss	-	-	-	-
Bad debts recovered	-	-	-	-
Total Impairment (charges)/benefits	**993**	**(1,411)**	**88**	**(330)**

4 CASH AND LIQUID ASSETS

As at $000	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Cash and balances with central banks	493,986	489,037	508,215
Current deposits in other institutions	7,017	6,724	1,312
Transaction balances with other institutions	11,384	15,514	32,145
Total cash and liquid assets	**512,387**	**511,275**	**541,672**

5 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

As at $000	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Due from other financial institutions	-	-	-
Due from related entities	-	6,184	-
Provision for impairment	-	(1)	-
Total receivables due from other financial institutions	**-**	**6,183**	**-**

6 LOANS AND ADVANCES

As at $000	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Gross loans and advances:	**2,290,810**	**1,913,363**	**2,191,017**
Housing loans	1,437,032	1,011,105	1,241,721
Corporate loans	853,778	899,965	947,031
Overdrafts	-	2,293	2,265
Provision for impairment:	**(9,316)**	**(6,921)**	**(7,556)**
Collective provision	(6,162)	(3,053)	(4,393)
Individually assessed provision	(3,154)	(3,868)	(3,163)
Net loans and advances	**2,281,494**	**1,906,442**	**2,183,461**

7 ASSET QUALITY

The Bank has individually assessed provisions and collectively assessed provisions. Individually assessed provisions are made against loans that exceed specified thresholds and which have been individually assessed as impaired. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan, it includes that loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

a) Credit quality information

As at 30 June 2021 (Unaudited) $000	Residential mortgages	Corporate exposures	Other exposures	Total
Neither past due nor impaired	**1,425,921**	**845,964**	**-**	**2,271,885**
Past due but not impaired				
Less than 30 days past due	11,111	2,475	-	13,586
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 assets	**11,111**	**2,475**	**-**	**13,586**
Individually impaired assets				
Balance at beginning of the year	-	5,354	-	5,354
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions/recoveries	-	(15)	-	(15)
Balance at end of the year	**-**	**5,339**	**-**	**5,339**
Total gross loans and advances	**1,437,032**	**853,778**	**-**	**2,290,810**
Individually assessed provisions				
Balance at beginning of the year	-	3,163	-	3,163
Charge/(credit) to the statement of comprehensive income	-	-	-	-
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	(9)	-	(9)
Balance at end of the year	**-**	**3,154**	**-**	**3,154**
Collectively assessed provisions				
Balance at beginning of the year	659	3,734	-	4,393
Charge/(credit) to the statement of comprehensive income	228	1,541	-	1,769
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	-	-	-
Balance at end of the year	**887**	**5,275**	**-**	**6,162**
Total provision for credit impairment	**887**	**8,429**	**-**	**9,316**
Total net loans and advances	**1,436,145**	**845,349**	**-**	**2,281,494**

The Bank had nil undrawn commitments (2020: $nil) to counterparties for whom drawn balances are classified as individually impaired. The Bank does not have other assets under administration as at the 30th of June 2021 (2020: nil).

b) Movement in loans and advances

For the six months ended 30 June 2021 (Unaudited) $000	Stage 1 12 months ECL	Stage 2 ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Purchased credit-Impaired	Total
Residential mortgages					
Gross balance at beginning of period	1,235,766	5,955	-	-	1,241,721
Change due to transfers between ECL stages	(647)	647	-	-	-
Additions	331,866	-	-	-	331,866
Deletions	(136,360)	(195)	-	-	(136,555)
Amounts written off	-	-	-	-	-
Gross balance as at end of period	**1,430,625**	**6,407**	**-**	**-**	**1,437,032**
Corporate exposures					
Gross balance at beginning of period	943,942	-	5,354	-	949,296
Change due to transfers between ECL stages	-	-	-	-	-
Additions	172,715	-	-	-	172,715
Deletions	(268,218)	-	(15)	-	(268,233)
Amounts written off	-	-	-	-	-
Gross balance as at end of period	**848,439**	**-**	**5,339**	**-**	**853,778**
Other exposures					
Gross balance at beginning of period	-	-	-	-	-
Change due to transfers between ECL stages	-	-	-	-	-
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
Amounts written off	-	-	-	-	-
Gross balance as at end of period	**-**	**-**	**-**	**-**	**-**
Total					
Gross balance at beginning of period	2,179,708	5,955	5,354	-	2,191,017
Change due to transfers between ECL stages	(647)	647	-	-	-
Additions	504,581	-	-	-	504,581
Deletions	(404,578)	(195)	(15)	-	(404,788)
Amounts written off	-	-	-	-	-
Gross balance as at end of period	**2,279,064**	**6,407**	**5,339**	**-**	**2,290,810**

c) Movement in provision for impairment

For the six months ended 30 June 2021 (Unaudited) $000	Collective Provision 12 months ECL	Collective provision lifetime ECL not credit impaired	Collective provision lifetime ECL credit impaired	Individual provision lifetime ECL credit impaired	Total
Residential mortgages					
Balance at beginning of period	603	56	-	-	659
Changes to the opening balance due to transfer between ECL stages:					
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 individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	129	99	-	-	228
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	-	-	-	-	-
Total provision for residential mortgages	**732**	**155**	**-**	**-**	**887**
Corporate exposures					
Balance at beginning of period	3,734	-	-	3,163	6,897
Changes to the opening balance due to transfer between ECL stages:					
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 individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	1,534	-	-	-	1,534
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	7	-	-	(9)	(2)
Total provision for corporate exposures	**5,275**	**-**	**-**	**3,154**	**8,429**
Off-balance sheet credit related commitments and contingencies					
Balance at beginning of period	419	-	-	-	419
Changes to the opening balance due to transfer between ECL stages:					
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 individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	(90)	-	-	-	(90)
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	-	-	-	-	-
Total provision for off-balance sheet credit related commitments and contingencies[1]	**329**	**-**	**-**	**-**	**329**
Total					
Balance at beginning of period	4,756	56	-	3,163	7,975
Changes to the opening balance due to transfer between ECL stages:					
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 individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	1,573	99	-		1,672
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	7	-	-	(9)	(2)
Total provision for impairment	**6,336**	**155**	**-**	**3,154**	**9,645**

[1] The total provision for off-balance sheet credit related commitments and contingencies is presented in other liabilities.

The above movements in the provision for impairment table does not include 'Other' credit exposures on the basis that the provision for impairment is nil.

COVID-19 impact on credit performance (unaudited)

The Bank's approach to incorporate the effect of COVID-19 on our Expected Credit Loss (ECL) calculations was guided by NZ IFRS 9 *Financial Instruments* using the three-stage approach. The Bank's assessment of ECLs on the 30th of June 2021 considered the impact of changes in the current economic environment on the ECL model, including the debtor's operation or financial status, creditworthiness, e.g., the likelihood of default (PD) by debtors and corresponding losses (LGD), the extent of the impact of the COVID-19 pandemic, and future macroeconomic conditions.

Given the Bank's relatively simple customer base, our corporate customers are mainly in essential industries, such as food manufacturing, transport and logistics, energy and utilities sectors with an indirect impact from the COVID-19 pandemic. On the consumer side, the Bank only offers residential mortgage loans, fully secured with origination LVR of no more than 80%, and most debtors have diversified sources of income. The Bank does not offer any unsecured personal lending or credit card products, with little impact from the COVID-19 pandemic.

The Bank has granted deferred repayment and interest payment arrangements to some debtors affected by the pandemic, but a deferred principal and interest payment arrangement was not intended to be a judgment basis for automatically triggering a significant increase in the debtor's credit risk.

Basis of inputs and assumptions used in the calculation of allowance for ECL

The methodology used to estimate expected credit losses is consistent with that applied on the 31st of December 2020. The Bank has reviewed its ECL model, updated the New Zealand GDP forecast and associated forward-looking factors by using data from the International Monetary Fund (IMF). Although the market and economy showed a strong recovery globally, there is still uncertainty from the impact of the COVID-19 pandemic.

For the ECL calculation, the Bank reviewed its loan book to assess whether there had been a significant increase in credit risk that may have required selected loans to be placed in Stage 2 or Stage 3. The Bank concluded that it would place COVID-19 related mortgage payment deferral or interest only loans in Stage 1, and implemented the results in the half-year end ECL calculation.

As at the 30th of June 2021, the expected credit losses comprehensively reflected the Bank's credit risk and the expectations for macroeconomic development of Senior Management.

Movement of collective provision

For the 6 months ended the 30th of June 2021, the Bank had a net increase of $1,679 thousand in the total collective provision, as detailed below:

Collective provision 12-months ECL (Stage 1) increased by $1,580 thousand during the period, with an increase of $129 thousand from the net growth in residential mortgages, a decrease of $109 thousand from the net decrease in corporate exposures, the inclusion of an overlay in relation to corporate exposures of $1,650 thousand to address the potential risk not captured in the underlying modelled provision for impairment in relation to the probability-weighting of the estimate for a range of possible economic outcomes, and a decrease of $90 thousand from the net decrease in off-balance sheet credit related commitments and contingencies.

Collective provision lifetime ECL not credit impaired (Stage 2) increased by $99 thousand, due to a residential mortgage loan being overdue. There were no corporate loans in Stage 2 on the reporting date.

Collective provision lifetime ECL credit impaired (Stage 3) was nil.

Movement of individually assessed provision

Individually assessed provision lifetime ECL credit impaired (Stage 3) decreased by $9 thousand due to the movement in exchange rates.

As at the 30th of June 2021, the Bank had an impaired loan with a carrying value of €3.13 million (NZ$5.34 million) (2020: €3.13 million, NZ$5.35 million), gross of allowance for impairment losses. The loan is impaired on the basis of objective evidence indicating the recoverable amount of the loan is less than the carrying value. The individually assessed provision on the loan reflects management's reasonable estimate of the expected credit loss as at the 30th of June 2021.

Residential mortgages

The Bank's residential mortgages provision for impairment increased by $228 thousand during the period, with increases in the collective provisions from both Stage 1 and Stage 2. There were no residential mortgages in Stage 3.

Corporate exposures

The Bank's corporate provision for impairment increased by $1,532 thousand during the period, with an increase in the Stage 1 collective provision of $1,541 thousand and a decrease in the Stage 3 individually assessed provision of $9 thousand. There were no corporate loans in Stage 2.

Off-balance sheet credit related commitments and contingencies

The Bank's off-balance sheet credit related commitments and contingencies consist of undrawn commitments, guarantees and letters of credit. The Stage 1 collective provision decreased by $90 thousand during the period. There were no exposures in Stage 2 or Stage 3.

8 CUSTOMER DEPOSITS

As at $000	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Term deposits	744,292	427,765	609,167
Saving/Demand deposits	93,674	36,512	129,287
Margin deposits	1,566	2,839	2,881
Total customer deposits	**839,532**	**467,116**	**741,335**

9 PAYABLES DUE TO OTHER FINANCIAL INSTITUTIONS

As at $000	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Due to other financial institutions	732,103	499,315	563,820
Due to related entities	701,846	585,231	626,306
Securities sold under agreements to repurchase from central banks	-	160,029	160,125
Total payables due to other financial institutions	**1,433,949**	**1,244,575**	**1,350,251**

10 DEBT SECURITIES ON ISSUE

As at $000	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Certificates of deposit	-	120,000	30,000
Medium-term notes	350,000	500,000	500,000
Total debt securities issued	**350,000**	**620,000**	**530,000**
Movement in debt securities issued			
Balance at beginning of period	529,763	604,298	604,298
Issuance during period	-	140,000	140,000
Repayments during period	(180,000)	(125,000)	(215,000)
Net effect of transaction costs and accruals	177	61	465
Balance at end of period	**349,940**	**619,359**	**529,763**

11 COMMITMENTS AND CONTINGENCIES

As at $000	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
Credit related commitments and contingencies			
Letters of credit and guarantees	9,421	11,090	10,057
Commitments to extend credit	165,936	369,121	214,104
Total credit related commitments and contigencies	**175,357**	**380,211**	**224,161**

12 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as exchange traded derivatives and government securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Bank is the current bid price. Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. The fair value of currency swaps and forwards are calculated using an interpolation method which is a method of constructing new data points within the range of a discrete set of known data points determined by using forward exchange market rates at the reporting date.

Fair value hierarchy of financial instruments measured at fair value

All assets and liabilities for which fair value is measured in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),

(b) valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (level 2), and

(c) valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (level 3).

As at 30 June 2021 (Unaudited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	1,509	-	1,509
FVTOCI securities	98,022	-	-	98,022
Total financial assets carried at fair value	**98,022**	**1,509**	**-**	**99,531**
Financial liabilities				
Derivative financial liabilities	-	1,480	-	1,480
Total financial liabilities carried at fair value	**-**	**1,480**	**-**	**1,480**

As at 30 June 2020 (Unaudited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	3,898	-	3,898
FVTOCI securities	165,956	-	-	165,956
Total financial assets carried at fair value	**165,956**	**3,898**	**-**	**169,854**
Financial liabilities				
Derivative financial liabilities	-	3,930	-	3,930
Total financial liabilities carried at fair value	**-**	**3,930**	**-**	**3,930**

As at 31 December 2020 (Audited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	3,222	-	3,222
FVTOCI securities	162,029	-	-	162,029
Total financial assets carried at fair value	**162,029**	**3,222**	**-**	**165,251**
Financial liabilities				
Derivative liabilities	-	3,651	-	3,651
Total financial liabilities carried at fair value	**-**	**3,651**	**-**	**3,651**

Fair value of financial instruments not measured at fair value

New Zealand equivalent to International Financial Reporting Standard 7 *Financial Instruments: Disclosure* (NZ IFRS 7) requires the disclosure of fair value of those financial instruments not carried at fair value on the balance sheet. 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 under current market conditions. The fair value disclosure does not cover those assets and liabilities that are not considered to be financial instruments, such as fixed assets.

The following table summarises the carrying amounts and the estimated fair values of those financial instruments not measured at fair value:

As at $000	30 June 21 (Unaudited)		30 June 20 (Unaudited)		31/12/2020 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Cash and liquid assets	512,387	512,387	511,275	511,275	541,672	541,672
Receivables due from other financial institutions	-	-	6,183	6,183	-	-
Loans and advances	2,281,494	2,211,909	1,906,442	1,899,260	2,183,461	2,134,398
Other financial assets	16,374	16,374	6,489	6,489	6,984	6,984
Total financial assets	**2,810,255**	**2,740,670**	**2,430,389**	**2,423,207**	**2,732,117**	**2,683,054**
Financial liabilities						
Customer deposits	839,532	839,532	467,116	459,705	741,335	741,327
Payables due to other financial institutions	1,433,949	1,434,060	1,244,575	1,818,961	1,350,251	1,350,174
Debt securities on issue	349,940	365,326	619,359	643,025	529,763	551,457
Other financial liabilities	9,998	9,998	8,034	8,034	4,816	4,816
Total financial liabilities	**2,633,419**	**2,648,916**	**2,339,084**	**2,929,725**	**2,626,165**	**2,647,774**

The following methods and assumptions were used to estimate the fair values:

- **Receivables due from other financial institutions**

  These assets are primarily short term in nature or are receivable on demand. In such cases the carrying amounts approximate their fair value or have been determined using discounting cash flow models based on observable market prices as appropriate.

- **FVTOCI securities**

  FVTOCI securities include government bonds and treasury bills. These assets are recorded at fair value based on quoted closing market prices as at the reporting date.

- **Loans and advances**

  The carrying value of loans and advances is net of allowance for impairment losses, unearned and deferred income. Floating rate loans to customers generally reprice within six months, therefore, their fair value is assumed to equate to their carrying value. For fixed rate loans repricing longer than six months, the fair value is estimated by discounting the expected future cash flows based on maturity of the loans and advances, using current market interest rates of similar types of loans and advances or interest rate swap rates.

- **Derivative financial instruments**

  The fair value of trading derivatives (including economic hedges), including foreign exchange contracts, interest rate swaps, interest rate and currency option contracts, and currency swaps, are obtained from observable market prices as at the reporting date, discounted cash flow models or option pricing models as appropriate.

- **Payables due to other financial institutions**

  For interbank borrowing transactions, the liabilities are primarily short term in nature or payable on demand. In such cases the carrying amounts approximate their fair value or have been determined using discounting cash flow models based on observable market prices as appropriate. For deposits from financial institutions repricing within six months, the fair value is approximated as the carrying value as at the reporting date. For other financial institution deposits, the fair value is estimated by discounting the cash flow based on the maturity of the deposit, using current market rates.

- **Customers deposits**

  With respect to deposits from customers, the fair value of non-interest-bearing, call and variable rate deposits and fixed rate deposits repricing within six months is approximated as the carrying value as at the reporting date. For other fixed rate term deposits, the fair value is estimated by discounting the cash flow based on the maturity of the deposit, using current market rates.

- **Debt securities on issue**

  Bonds and notes are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. For medium-term notes, it is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used. For certificates of deposit, the carrying amount is considered to approximate the fair value, as they are short term in nature or are receivable/payable on demand.

- **Other financial assets and liabilities**

  For these balances, such as receivable and payable accrued interest, the carrying amount is considered to approximate the fair value, as they are short term in nature or are receivable/payable on demand.

13 RELATED PARTY TRANSACTIONS

The Bank is a wholly owned subsidiary of Bank of China Limited (BoC), a company incorporated in China. The Ultimate Parent Bank of the Bank is also BoC. The Ultimate Parent Bank Group refers to the Ultimate Parent Bank and its subsidiaries. As at the 30th of June 2021, the Bank had no controlled entities. Transactions and balances with the Auckland Branch of the Bank of China Limited are included in the Ultimate Parent Bank's balances in the tables below.

Transactions with related parties

	Unaudited Six months ended 30/06/21		Unaudited Six months ended 30/06/20		Audited Year ended 31/12/20	
$000	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities
Interest income	(1)	10	4	15	10	27
Interest expense	3,728	358	5,478	132	9,685	315
Other operating income[1]						
Lending and credit facility related fee income	-	-	-	-	-	-
Fund management fee and consulting fee income	-	-	-	-	-	-
Other fees and commissions	4,426	1	2,982	4	6,856	4
Net gains/(losses) on financial instruments	177	-	(2,409)	-	(3,479)	-
Operating expenses	-	-	54	-	115	-

[1]Certain comparative information has been restated to ensure consistency with presentation in the current period.

There were no debts with any related parties written off or forgiven during the six months ended the 30th of June 2021 or during the year ended 31st of December 2020.

Balances with related parties

As at	Unaudited 30/06/21		Unaudited 30/06/20		Audited 31/12/20	
$000	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities
Cash and liquid assets	8,103	3,281	13,093	2,419	30,060	2,085
Receivables due from other financial institutions	-	-	6,184	-	-	-
Loans and advances	-	3,594	-	3,679	-	3,637
Derivative assets	29	-	370	-	814	-
Total related party assets	**8,132**	**6,875**	**19,647**	**6,098**	**30,874**	**5,722**
Payables due to other financial institutions	701,846	-	586,154	-	615,366	11,745
Derivative liabilities	1,479	-	3,714	-	2,919	-
Total related party liabilities	**703,325**	**-**	**589,868**	**-**	**618,285**	**11,745**

No provisions for impairment losses were recognised in respect of related party assets as at the 30th of June 2021 (31st of December 2020: $Nil and 30th of June 2020: $Nil).

The Bank undertakes transactions, loan finance and current account banking facilities with BoC and other members of the Ultimate Parent Bank Group on normal commercial terms and are settled in accordance with the terms of the arrangement. The interest earned on these loans and interest paid on deposits are at market rates. Loans and borrowings from related parties are unsecured.

14 CONCENTRATION OF CREDIT EXPOSURES

14.1 Concentration of Credit Exposures

The Bank's concentrations of credit exposures arise where the Bank is exposed to risk in activities or industries of a similar nature, and in particular geographies. Australia and New Zealand Standard Industrial Classification (ANZSIC) 2006 codes have been used as the basis for disclosing customer and industry sectors. The credit concentration is monitored as part of the Bank's credit risk management framework on a regular basis.

The analysis by industry and by geographical location is as follows:

As at 30 June 2021 (Unaudited) $000	On-balance sheet financial assets	Off-balance sheet credit related commitments
Industry sector		
Agriculture	14,219	2,813
Forestry and Fishing	51,102	16,362
Mining	-	-
Manufacturing	170,557	45,982
Electricity, gas, water and waste services	50,064	-
Construction	70,239	10,461
Wholesale trade	47,624	6,425
Retail trade	12,534	22,500
Accommodation and food services	15,330	58
Transport, postal and warehousing	79,032	-
Information media and telecommunications	75,058	25,000
Financial and insurance services	642,777	2,925
Rental, hiring and real estate services	226,107	24,123
Professional, scientific and technical services	419	-
Administrative and support services	-	-
Public administration and safety	-	-
Education and training	-	-
Health care and social assistance	13,824	1,214
Arts and recreation services	-	-
Personal lending	1,449,082	17,461
Other Services	1,134	33
Subtotal	2,919,102	175,357
Provisions for impairment	9,316	329
Total credit exposures	2,909,786	175,028
Geographic area		
New Zealand	2,505,390	172,104
Overseas	404,396	2,924
Total credit exposures	2,909,786	175,028

14.2 Concentration of credit exposure to individual counterparties

Credit exposure is calculated on the basis of actual exposures net of individual credit impairment provision. In addition, 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 peak-of-day aggregate credit exposure to an individual counterparty or a group of closely related counterparties for the period between the reporting date for the previous disclosure statement and the reporting date for the disclosure statement is derived by determining the maximum end-of-day aggregate amount of credit exposure over the period, and then dividing that amount by the registered bank's Common Equity Tier 1 Capital ("CET1 Capital") as at the reporting date for the disclosure statement.

The number of individual bank counterparties (which are not members of a group of closely related counterparties), and 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 CET1 Capital:

	Peak end of day credit exposures Number of Counterparties For the six months ended 30 June 2021				Credit exposure Number of Counterparties As at 30 June 2021			
Percentage of CET1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
10-15%	-	-	-	-	-	-	-	-
16-20%	-	-	-	-	-	-	-	-
21-25%	-	1	-	1	-	-	-	-
26-30%	-	-	-	-	-	-	-	-
31-35%	-	-	-	-	-	-	-	-
36-40%	-	1	-	1	-	-	-	-
41-45%	-	-	-	-	-	-	-	-
46-50%	-	-	-	-	-	-	-	-
51-55%	-	-	-	-	-	-	-	-
56-60%	-	-	-	-	-	-	-	-
61-65%	-	-	-	-	-	-	-	-
66-70%	-	-	-	-	-	-	-	-
71-75%	-	-	-	-	-	-	-	-
76-80%	-	-	-	-	-	-	-	-
81-85%	-	-	-	-	-	-	-	-
86-90%	-	-	-	-	-	-	-	-
91-95%	-	-	-	-	-	-	-	-
96-100%	-	-	-	-	-	-	-	-

Note:
"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 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 do not have a long-term credit rating for the reporting period.

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 CET1 Capital:

	Peak end of day credit exposures Number of Counterparties For the six months ended 30 June 2021				Credit exposure Number of Counterparties As at 30 June 2021			
Percentage of CET1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
10-15%	1	-	4	5	1	-	4	5
16-20%	-	-	4	4	-	-	3	3
21-25%	-	-	2	2	-	-	1	1
26-30%	-	-	1	1	-	-	1	1
31-35%	-	-	1	1	-	-	1	1
36-40%	-	-	1	1	-	-	1	1
41-45%	-	-	-	-	-	-	-	-
46-50%	-	-	-	-	-	-	-	-
51-55%	-	-	-	-	-	-	-	-
56-60%	-	-	-	-	-	-	-	-
61-65%	-	-	-	-	-	-	-	-
66-70%	-	-	-	-	-	-	-	-
71-75%	-	-	-	-	-	-	-	-
76-80%	-	-	-	-	-	-	-	-
81-85%	-	-	-	-	-	-	-	-
86-90%	-	-	-	-	-	-	-	-
91-95%	-	-	-	-	-	-	-	-
96-100%	-	-	-	-	-	-	-	-

Note:
"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 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 do not have a long-term credit rating for the reporting period.

15 CONCENTRATION OF FUNDING

The Bank's 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 customer and industry sector and in terms of geographical area.

The analysis by industry and by geographical location is as follows:

As at $000	Unaudited 30/06/21
Funding comprises	
Customer deposits	839,532
Payables due to other financial institutions	1,433,949
Debt securities on issue	349,940
Total funding	**2,623,421**
Concentration of funding by industry sector	
Agriculture, Forestry and Fishing	13,315
Mining	-
Manufacturing	39,836
Electricity, Gas, Water and Waste Services	-
Construction	22,094
Wholesale trade	13,759
Retail trade	67
Accommodation and Food Services	34,560
Transport, Postal and Warehousing	33,757
Information Media and Telecommunication	284
Financial and Insurance Services	1,801,891
Rental, Hiring and Real Estate Services	101,277
Professional, Scientific and Technical Services	159,099
Administrative and Support Services	-
Public Administration and safety	204,002
Education and Training	13,000
Health Care and Social Assistance	50,001
Arts and Recreation Services	-
Households	76,754
Other Services	59,725
Total funding	**2,623,421**
Concentration of funding by geographical location	
New Zealand	1,637,099
Other countries	986,322
Total funding	**2,623,421**

16 INSURANCE BUSINESS

The Bank does not conduct any insurance business, as defined in the Bank's Conditions of Registration. The Bank's Conditions of Registration can be obtained by referring to the Bank's Disclosure Statement for the year ended the 31st of December 2020.

17 RISK MANAGEMENT

There have been no material changes to the Bank's policies for managing risk, or material exposures to new categories of risk since the previous Disclosure Statement.

Interest rate risk

Interest rate risk is defined as the risk of loss to the Bank arising from adverse movements in market interest rates.

The Bank manages its exposure to interest rate risk in accordance with the Bank's relevant market risk management policies and procedures. The objective of these documents is to support the delivery of the Bank's financial targets whilst protecting future financial security.

Interest rate risk arises mainly from mismatches in the repricing periods of financial assets and liabilities. The Bank manages interest rate risk primarily through repricing gap analysis. Gap analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that mature or must be repriced within certain periods. The Bank also uses the data generated by repricing gap analysis to perform sensitivity analysis, which provides relevant information in adjusting the repricing profile of interest-earning assets and interest-bearing liabilities. The Bank closely follows local and foreign currency interest rate trends and where possible promptly adjusts the interest rates of local and foreign currency deposits and loans in order to reduce interest rate risk.

The Bank's interest repricing gap analysis as at the 30th of June 2021 is as follows:

As at 30 June 2021 (Unaudited) $000	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Non-interest bearing	Total
Assets							
Cash and liquid assets	512,387	-	-	-	-	-	512,387
Receivables due from other financial institutions	-	-	-	-	-	-	-
Derivative assets	-	-	-	-	-	1,509	1,509
FVTOCI securities	-	-	-	98,022	-	-	98,022
Loans and advances	1,119,190	371,454	598,758	179,877	21,531	(9,316)	2,281,494
Other financial assets	-	-	-	-	-	16,374	16,374
Total financial assets	**1,631,577**	**371,454**	**598,758**	**277,899**	**21,531**	**8,567**	**2,909,786**
Non-financial assets							9,228
Total assets							**2,919,014**
Liabilities							
Customer deposits	541,257	248,601	34,820	411	-	14,443	839,532
Payables due to other financial institutions	1,195,169	188,646	14,126	-	30,000	6,008	1,433,949
Derivative liabilities	-	-	-	-	-	1,480	1,480
Debt securities on issue	-	-	-	349,940	-	-	349,940
Other financial liabilities	224	225	453	921	1,288	6,887	9,998
Total financial liabilities	**1,736,650**	**437,472**	**49,399**	**351,272**	**31,288**	**28,818**	**2,634,899**
Non-financial liabilities							5,315
Total liabilities							**2,640,214**
Net Gap	**(105,073)**	**(66,018)**	**549,359**	**(73,373)**	**(9,757)**	**(20,251)**	**274,887**

Liquidity portfolio management

The Bank held the following financial assets for the purpose of managing liquidity risk. Liquid assets include high quality assets readily convertible to cash to meet the Bank's liquidity requirements. In management's opinion, liquidity is sufficient to meet the Bank's present requirements:

As at $000	Unaudited 30/06/21
Cash and cash equivalents:	
Cash and liquid assets	512,387
Government securities	98,022
Total liquidity portfolio	**610,409**

Contractual maturity analysis of financial liabilities

The table below presents the Bank's cash flows associated with financial liabilities by remaining period to contractual maturity as at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows and include principal and future interest cash flows and therefore will not agree to the carrying amounts on the balance sheet.

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

The contractual maturity analysis for off-balance sheet credit related commitments and contingencies has been prepared using the earliest date at which the Bank can be called upon to pay. The liquidity risk of off-balance sheet credit related commitments and contingencies 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.

As at 30 June 2021 (Unaudited) $000	On demand	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Total
Non-derivative financial liabilities							
Customer deposits	114,971	440,859	250,024	35,132	411	-	841,397
Payables due to other financial institutions	167,545	704,162	298,340	16,368	223,167	35,333	1,444,915
Debt securities on issue	-	-	4,257	7,105	360,120	-	371,482
Lease liabilities	-	239	239	478	956	1,307	3,219
Other financial liabilities	-	1,570	2,848	-	-	-	4,418
Total non-derivative financial liabilities	**282,516**	**1,146,830**	**555,708**	**59,083**	**584,654**	**36,640**	**2,665,431**
Derivative financial liabilities							
Net settled	-	(948)	-	-	-	-	(948)
Gross settled – cash inflow	-	6,952	1,572	616	-	-	9,140
Gross settled – cash outflow	-	(6,986)	(1,593)	(620)	-	-	(9,199)
Total derivative financial liabilities	**-**	**(982)**	**(21)**	**(4)**	**-**	**-**	**(1,007)**
Off-balance sheet credit related commitments and contingencies							
Letters of credit and guarantees	9,421	-	-	-	-	-	9,421
Commitments to extend credit	165,936	-	-	-	-	-	165,936
Total off-balance sheet credit related commitments and contingencies	**175,357**	**-**	**-**	**-**	**-**	**-**	**175,357**

18 CAPITAL ADEQUACY AND REGULATORY LIQUIDITY RATIOS

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 for banks 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 Bank applies the Reserve Bank's Capital Adequacy Framework (Standardised Approach) (BS2A) for calculating regulatory capital requirements. 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.

Capital management

The Bank has a Capital Policy to enable effective and controlled management of capital. Capital management involves the measurement, monitoring and reporting of the capital position from both a current and future perspective.

The Capital Policy along with the Internal Capital Adequacy Assessment Process (ICAAP) forms the basis of effective capital management within the Bank. The Capital Policy should be read in conjunction with the ICAAP, as it provides the framework that is used by the Board to understand and manage capital adequacy. The ICAAP uses current capital requirements, as well as forecasted capital levels to determine whether the level of capital held by the Bank is adequate.

The Board holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes: setting, monitoring and obtaining assurance for the Bank's capital management policy and framework; risk definitions for all material risks; materiality thresholds; capital adequacy targets; and risk appetite. The Bank actively monitors its capital adequacy as part of the ICAAP, and reports this on a regular basis to senior management and the Board.

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 the 30th of June 2021. During the period, the Bank complied in full with all externally imposed Reserve Bank capital requirements as set out in the Bank's conditions of registration.

18.1 Capital

The table below shows the qualifying capital for the Bank.

As at 30 June 2021 (Unaudited) $000	
Tier One Capital	
Common Equity Tier One capital	
Issued and fully paid-up ordinary share capital	223,307
Retained earnings (net of appropriations)	54,661
Accumulated other comprehensive income and other disclosed reserves[1]	832
Less: deductions from Common Equity Tier One capital:	
Intangible assets	(121)
Deferred tax assets	(4,199)
Total Common Equity Tier One capital	**274,480**
Additional Tier One capital	
Nil	
Total Additional Tier One capital	
Total Tier One capital	**274,480**
Tier Two capital	
Nil	
Total Tier Two capital	
Total capital	**274,480**

[1]*Accumulated other comprehensive income and other disclosed reserves consist of FVTOCI securities revaluation reserve of $832,000.*

Capital instruments

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

(a) there are no options or facilities for early redemptions, conversion, write-down or capital repayment;

(b) there is no predetermined dividend rate;

(c) there is no maturity date; and

(d) there are no options granted or to be granted pursuant to any arrangement.

The Bank does not have any other classes of capital instrument in its capital structure.

Reserves

Accumulated other comprehensive income and other disclosed reserves consist of the FVTOCI securities revaluation reserve of $832,000 as at the 30th of June 2021.

Credit risk

The capital charge for credit risk is derived by following the risk methodology for measuring capital requirements within Part 4 and 5 of BS2A Capital Adequacy Framework (Standardised Approach).

18.2(a) On-balance sheet exposures

As at 30 June 2021 (Unaudited)	Total exposure after credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Cash and gold bullion		0%	-	-
Sovereigns and central banks	593,036	0%	-	-
Banks - 20% weighting	18,401	20%	3,680	294
Banks - 50% weighting	25,927	50%	12,963	1,037
Banks - 100% weighting	-	100%	-	-
Corporate - 20% weighting	-	20%	-	-
Corporate - 50% weighting	29,922	50%	14,961	1,197
Corporate - 100% weighting	789,476	100%	789,476	63,158
Corporate - 150% weighting	-	150%	-	-
Residential mortgages not past due - 35% weighting	868,778	35%	304,072	24,326
Residential mortgages not past due - 40% weighting	564,799	40%	225,920	18,074
Residential mortgages not past due - 50% weighting	1,580	50%	790	63
Residential mortgages not past due - 75% weighting	2,525	75%	1,894	151
Residential mortgages not past due - 100% weighting	-	100%	-	-
Past due residential mortgages (90 days and plus)	-	100%	-	-
Other past due assets	2,185	100%	2,185	175
Equity holdings (not deducted from capital) that are publicly traded		300%	-	-
All other equity holdings (not deducted from capital)		400%	-	-
Other assets	18,064	100%	18,064	1,445
Total on-balance sheet exposures	**2,914,693**		**1,374,005**	**109,920**

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

As at 30 June 2021 (Unaudited)	Total exposure $000	Credit conversion factor %	Credit equivalent amount $000	Average risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Direct credit substitute	4,987	100%	4,987	100%	4,987	399
Asset sale with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitment with certain drawdown	17,448	100%	17,448	37%	6,489	519
Note issuance facility	-	50%	-	0%	-	-
Revolving underwriting facility	-	50%	-	0%	-	-
Performance-related contingency	3,069	50%	1,535	52%	804	64
Trade-related contingency	-	20%	-	0%	-	-
Placements of forward deposits	-	100%	-	0%	-	-
Other commitments where original maturity is more than one year	148,175	50%	74,087	100%	74,087	5,927
Other commitments where original maturity is less than or equal to one year	-	20%	-	0%	-	-
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	0%	-	-
Market related contracts						
(a) Foreign exchange contracts	21,577		216	100%	216	17
(b) Interest rate contracts	136,668		-	100%	-	-
(c) Other – OTC etc.						
Total off-balance sheet exposures	331,924		98,273		86,583	6,926

Note: the credit equivalent amount for market related contracts was calculated using the current exposure method.

18.2(c) Additional mortgage information

Residential mortgages by loan-to-valuation ratio

As at 30 June 2021 (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceed 90%	Total
Loan-to-valuation ratio				
On-balance sheet exposures	1,432,903	1,590	2,539	1,437,032
Undrawn commitments and other off-balance sheet exposures	17,461	-	-	17,461
Value of exposures	1,450,364	1,590	2,539	1,454,493

The information in the above table relates to the Bank and is in respect of the total residential mortgage loans used to calculate the Bank's Pillar 1 capital requirement for credit risk, categorised by loan-to-valuation ratio. Any residential mortgage loan for which no loan-to-valuation ratio is available is included in the category for loan-to-valuation ratios that exceed 90%.

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

Reconciliation of residential mortgage-related amounts

As at $000	(Unaudited) 30/06/21
Total of Residential Mortgages amounts disclosed in table for On-balance sheet exposures	1,437,682
Less: Interest receivable	(1,537)
Add: Provision for impairment	887
Housing loans and Residential mortgages - total gross loans and advances	1,437,032
Add: Undrawn commitments and other off-balance sheet exposures	17,461
Total Residential mortgages	1,454,493

18.2(d) Credit risk mitigation

The Bank revalues exposures and collateral related to financial markets positions on a daily basis to monitor the net risk position. The Bank recognises cash and deposits as eligible collateral for credit risk mitigation by way of risk reduction. The Bank's credit risk mitigation includes secured cash deposits only, hence the Bank takes the simple method to calculate the mitigated amount.

As at 30 June 2021 (Unaudited) $000	Total value of on and off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on and off-balance sheet exposures covered by guarantees or credit derivatives
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	1,350	-
Residential mortgage	-	-
Other	-	-
Total	1,350	-

18.3 Operational risk

The capital charge for operational risk is derived by following the risk methodology for measuring capital requirements within Part 9 of BS2A Capital Adequacy Framework (Standardised Approach).

As at 30 June 2021 (Unaudited) $000	Implied weighted exposure	Total operational risk capital requirement
Operational risk	152,114	12,169
Total	152,114	12,169

18.4 Market risk

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the relevant period 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).

	End-period capital charge		Peak end-of-day capital charge	
As at 31 June 2021 (Unaudited) $000	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
Interest rate risk	38,090	3,047	43,822	3,506
Foreign currency risk	1,094	87	1,107	89
Equity risk	-	-	-	-
Total	39,184	3,134	44,929	3,595

18.5 Total capital requirements

As at 30 June 2021 (Unaudited) $000	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk plus equity	3,012,966	1,460,588	116,846
Operational risk	N/A	152,114	12,169
Market risk	N/A	39,184	3,134
Total	**3,012,966**	**1,651,886**	**132,149**

18.6 Capital ratios

As at	Unaudited 30/06/21	Unaudited 30/06/20	Unaudited 31/12/20
Capital adequacy ratios			
Common equity tier 1 capital ratio	16.62%	15.89%	16.06%
Tier 1 capital ratio	16.62%	15.89%	16.06%
Total capital ratio	16.62%	15.89%	16.06%
RBNZ minimum ratio requirement			
Common equity tier 1 capital ratio	4.5%	4.5%	4.5%
Tier 1 capital ratio	6.0%	6.0%	6.0%
Total capital ratio	8.0%	8.0%	8.0%
Buffer ratio			
Buffer ratio	8.62%	7.89%	8.06%
Buffer ratio requirement	2.5%	2.5%	2.5%

18.7 Solo capital adequacy

As at	Unaudited 30/06/21	Unaudited 30/06/20	Unaudited 31/12/20
Common equity tier 1 capital ratio	16.62%	15.89%	16.06%
Tier 1 capital ratio	16.62%	15.89%	16.06%
Total capital ratio	16.62%	15.89%	16.06%

18.8 Capital requirements for other risks (Pillar II)

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. The other risks for the Bank include balance sheet risk, liquidity risk, credit concentration risk, strategic risk, contagion and reputational risk. Noting this, it is considered prudent to cater for these risks through the inclusion of a 2% buffer in 2021 (2020: 2%) to cater for all Pillar II risks. This buffer has been assessed at Board targets. The inclusion of the buffer also reflects the lack of ability to quantify the capital requirements as a result of these risks.

18.9 Capital adequacy of Ultimate Parent Bank

The Ultimate Parent Bank of the Bank is BoC. The Ultimate Parent Bank Group comprises the Ultimate Parent Bank and its subsidiaries. Both the Ultimate Parent Bank and the Ultimate Parent Bank Group's capital adequacy ratios are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations promulgated by the China Banking and Insurance Regulatory Commission ("CBIRC"). With the approval of the CBIRC, the Ultimate Parent Bank Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

Both the Ultimate Parent Bank and the Ultimate Parent Bank Group are required by the CBIRC to hold minimum capital at least equal to that specified under the Basel II Standardised Approach and are required to publicly disclose this capital adequacy information on a quarterly basis. This information is available via the Overseas Bank's website (www.boc.cn).

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBIRC as at the 31st of March 2021, the latest reporting date.

The capital ratios below have been calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (Y.J.H.L[2012] No.1), issued by the CBRC.

As at	(Unaudited) 31/03/21	(Unaudited) 31/03/20	(Unaudited) 31/12/20
Ultimate Parent Bank Group			
Common equity tier 1 capital ratio	11.12%	11.24%	11.28%
Tier 1 capital ratio	12.77%	12.80%	13.19%
Total capital ratio	15.71%	15.34%	16.22%
Ultimate Parent Bank			
Common equity tier 1 capital ratio	10.87%	10.94%	10.99%
Tier 1 capital ratio	12.69%	12.66%	13.10%
Total capital ratio	15.97%	15.48%	16.47%

18.10 Regulatory liquidity ratios

The Bank calculates liquidity ratios in accordance with the Reserve Bank document entitled 'Liquidity Policy' (BS13). Ratios are calculated daily and are part of the Bank's management of liquidity risk. Quarterly, average ratios are produced in line with the Reserve Bank rules and guidance.

For the 3 months ended	30/06/21 (Unaudited)	31/03/21 (Unaudited)
One-week mismatch ratio	11.5%	13.0%
One-month mismatch ratio	6.5%	9.4%
One-year core funding ratio	66.9%	69.1%

19 EVENTS SUBSEQUENT TO THE REPORTING DATE

COVID-19 pandemic update

Following the confirmation of community spread of the COVID-19 Delta variant, the Government announced on the 17th of August New Zealand's COVID-19 Alert Levels changed, with the Auckland region and Coromandel Peninsula moving to Alert Level 4 for seven days and the rest of New Zealand moving to Alert Level 4 for three days. Subsequent announcements were made extending the lockdown for all of New Zealand until the 31st of August 2021, with the Auckland and Northland regions to remain at Alert Level 4 for longer and the rest of the country moving to Alert Level 3 at this time. As described in note 7, the provision for impairment of the Bank and other judgements and estimates at the 30th of June 2021 were estimated based on information and expectations, including the forecast economic conditions, as at that date. Therefore, the recent changes in COVID-19 Alert Levels did not result in changes in the provision for impairment recognised as at the 30th of June 2021. However, the magnitude of the impact to the economy and the Bank of these changes in COVID-19 Alert Levels is uncertain. The Bank will continuously and closely monitor the developments of the Delta variant, evaluate and proactively address its impact on the Bank's financial position and performance.

There were no further material events that occurred subsequent to the reporting date which require recognition or additional disclosure in these financial statements.

Independent auditor's review report

To the shareholder of Bank of China (New Zealand) Limited

Report on the Bank of China (New Zealand) Limited Disclosure Statement

Our conclusion

We have reviewed the Disclosure Statement for the six months ended 30 June 2021 (the 'Disclosure Statement') of Bank of China (New Zealand) Limited (the 'Bank'), which includes the condensed interim financial statements (the '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 financial statements comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

We have examined the financial statements and supplementary information and based on our review, nothing has come to our attention that causes us to believe that:

a) the financial statements (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* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34);

b) the supplementary information that is required to be disclosed under Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those schedules; and

c) the supplementary information relating to capital adequacy and regulatory liquidity requirements 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.

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements and supplementary information* section of our report.

We are independent of the Bank in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Certain partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the Bank. These relationships have not impaired our independence as auditor of the Bank. Other than in our capacity as auditor we have no other relationships with, or interests in, the Bank.

Directors' responsibility for the Disclosure Statement

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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our responsibility is to express a conclusion on the financial statements and supplementary information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that:

- the financial statements (excluding the supplementary information), taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34;
- the supplementary information (excluding the supplementary information relating to capital adequacy and regulatory liquidity requirements), taken as a whole, does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements, taken as a whole, is not, in all material respects disclosed in accordance with Schedule 9 of the Order.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the financial statements and the supplementary information.

Who we report to

This report is made solely to the Bank's shareholder. Our review work has been undertaken so that we might state to the Bank's shareholder those matters which we are required to state to them in our 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 procedures, for this report, or for the conclusions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
30 August 2021

Auckland