中國銀行
BANK OF CHINA

Bank of China (New Zealand) Limited

Disclosure Statement for the six months ended

30 June 2022

TABLE OF CONTENTS

1 GENERAL INFORMATION AND DEFINITIONS

The Disclosure Statement is for the six months ended 30 June 2022. Certain information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 (now the Banking (Prudential Supervision) Act 1989) 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 and ultimate holding company. There is another guarantee issued by Bank of China Limited, Auckland Branch dated 22 October 2021, registered as an overseas company in New Zealand (BoC Auckland Branch), to cover any note, bond, registered certificate of deposit or other debt security issued under a Debt Issuance Programme.

The address for service of BoC is No.1, Fuxingmen Nei Dajie, Beijing 100818, People's Republic of China and the address for service of BoC Auckland Branch is Level 17, Tower 1, 205 Queen Street, Auckland 1010.

BoC and BoC Auckland Branch are not members of the Banking Group.

As BoC Auckland Branch is within the same legal entity of the ultimate parent, the regulatory capital and credit rating disclosures are consistent with BoC’s disclosures.

As disclosed in BoC’s unaudited consolidated results for the three months ended 31 March 2022, BoC’s net capital for capital adequacy purposes was RMB 2,776,891 million and its total capital adequacy ratio was 16.64%. Capital ratios are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) issued by China Banking and Insurance Regulatory Commission (“CBIRC”).

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 31 December 2021 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 BoC Guarantee"), the obligations of the Bank are guaranteed by BoC.

A copy of the BoC Guarantee of the Bank's indebtedness given by BoC is provided in the Bank's Disclosure Statement for the year ended 31 December 2021. A copy of the Disclosure Statement can be obtained from the Bank's website www.bankofchina.com/nz.

Subject to the BoC Guarantee:

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

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

(3) There are no material conditions applicable to the BoC Guarantee other than non-performance by the Bank of its 'Obligations' as defined in the BoC Guarantee 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 BoC Guarantee of any of the Bank's creditors, to other claims against BoC in a winding up of BoC.

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

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

A copy of the BoC Auckland Branch Guarantee of the Bank's indebtedness given by BoC Auckland Branch is provided in the Bank's Disclosure Statement for the year ended 31 December 2021. A copy of the Disclosure Statement can be obtained from the Bank's website www.bankofchina.com/nz.

Subject to the BoC Auckland Branch Guarantee:

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

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

(3) There are no material conditions applicable to the BoC Auckland Branch Guarantee other than non-performance by the Bank of its 'Obligations' as defined in point 4 provided that claims are made in accordance with its terms and accompanied with the relevant information.

(4) Obligations means all payment obligations of any nature under any note, bond, registered certificate of deposit or other debt security issued under a Debt Issuance Programme to or for the benefit of Creditors ranking at least pari passu with the claims of unsecured unsubordinated creditors of the Bank, whether actual or contingent, present or future, secured or unsecured and whether incurred alone, severally or jointly and severally as principal, surety or otherwise but which, in each case, has been or is incurred by the Bank prior to termination of the BoC Auckland Branch Guarantee.

(5) There are no material legislative or regulatory restrictions in China that would have the effect of subordinating the claims under the BoC Auckland Branch Guarantee of any of the Bank's creditors on the assets of BoC Auckland Branch, to other claims on BoC Auckland Branch in a winding up of BoC Auckland Branch.

(6) The BoC Auckland Branch Guarantee does not have an expiry date.

In January 2022, the China Banking and Insurance Regulatory Commission ("CBIRC") issued Rules on *Related-Party Transactions of Banking and Insurance Institutions*. The Rules are effective from 1 March 2022 but with a one year transitional period from that date and they may have an impact on the BoC Guarantee and/or the BoC Auckland Branch Guarantee.

3 DIRECTORATE

The following changes were made to the composition of the Bank's Board of Directors since 31 December 2021:

Chris Tremain resigned as Chairman of the Board of Directors and as a Non-executive Independent Director of the Bank with effect from 10 June 2022.

Timothy Bennett was appointed as Chairman of the Board of Directors of the Bank with effect from 10 June 2022.

Lei Wang concluded his term as Chief Executive Officer of the Bank on 17 February 2022. (Lei Wang continued in a governance role as a Non-executive Non-independent Director of the Bank until 10 June 2022).

Hui Kang was appointed as Acting Chief Executive Officer of the Bank effective on 18 February 2022 to 7 June 2022.

Beihai Hu was appointed as Chief Executive Officer and as an Executive Non-independent Director of the Bank with effect from 8 June 2022.

Mark Dossor was appointed as a Non-executive Independent Director of the Bank with effect from 6 June 2022.

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 Conditions of Registration on and after 1 January 2022.
On 23 December 2021, the Reserve Bank confirmed the following changes to the Bank's Conditions of Registration effective from 1 January 2022:

1. the Bank's Core Funding Ratio (CFR) increased from 50% to 75%.
2. the wording for paragraph 15 of the Conditions of Registration included a measurement date of 31 October 2021 (previously not included) for the investor loan-to-value ratio restrictions.

The Reserve Bank confirmed on 23 June 2022 that the following Conditions of Registration would apply：

1. Removal of dividend restrictions implemented in response to COVID-19 (this change is effective on and from 1 July 2022); and
2. Correction of a typographical error in the Liquidity Policy Annex: Liquid Assets (BS13A) and corresponding amendment to the Liquidity Policy (BS13) (these changes are effective on and from 1 July 2022).

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	Standard & Poor's Global Ratings	Moody's Investors Service
Long-term counterparty credit rating	A	A1
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.

For an explanation of the credit rating scales, see the table under "10.2 Description of credit rating scale" in the Bank's 31 December 2021 Disclosure Statement.

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 30 June 2022:

(1) the Bank has complied in all material respects with each condition of registration that applied during that period;

(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 29 August 2022 and has been signed by Mr. Beihai Hu as the Responsible Person for and on behalf of all the Directors (by Directors' resolution).

Beihai Hu

Executive Director

FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

STATEMENT OF COMPREHENSIVE INCOME

$000	Note	Unaudited Six months ended 30/06/22	Unaudited Six months ended 30/06/21	Audited Year ended 31/12/21
Interest income		46,814	36,294	71,392
Interest expense		(35,526)	(19,361)	(39,696)
Net interest income		**11,288**	**16,933**	**31,696**
Other operating income	2	8,928	7,516	18,762
Net operating income		**20,216**	**24,449**	**50,458**
Operating expenses		(10,833)	(10,998)	(22,129)
Impairment (charges)/benefits	3	(4,775)	(1,672)	(3)
Profit before income tax		**4,608**	**11,779**	**28,326**
Income tax expense		(1,293)	(3,277)	(7,940)
Profit after income tax		**3,315**	**8,502**	**20,386**
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 reserve (net of tax)		(2,342)	(584)	(1,746)
Total other comprehensive income/(expense) for the period/year, net of tax		**(2,342)**	**(584)**	**(1,746)**
Total comprehensive income for the period/year		**973**	**7,918**	**18,640**

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

STATEMENT OF FINANCIAL POSITION

As at $000	Note	Unaudited 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Assets				
Cash and liquid assets	4	647,267	512,387	514,003
Derivative assets		252	1,509	875
FVTOCI securities		331,689	99,050	95,535
Loans and advances	5	2,500,588	2,289,539	2,427,186
Other assets		7,081	4,934	6,035
Current tax assets		1,078	-	-
Right-of-use assets		2,178	3,129	2,653
Deferred tax assets		5,469	4,199	3,873
Property and equipment		1,079	1,679	1,446
Intangible assets		147	121	189
Total assets		**3,496,828**	**2,916,547**	**3,051,795**
Liabilities				
Customer deposits	7	759,301	839,532	767,872
Payables due to other financial institutions	8	2,065,305	1,427,941	1,602,798
Derivative liabilities		845	1,480	938
Current tax liabilities		-	218	1,839
Debt securities on issue	9	349,939	349,940	369,878
Other liabilities		28,734	15,524	16,285
Lease liabilities		2,209	3,112	2,663
Total liabilities		**3,206,333**	**2,637,747**	**2,762,273**
Net assets		**290,495**	**278,800**	**289,522**
Equity				
Contributed equity		223,307	223,307	223,307
Reserves		(2,672)	832	(330)
Retained earnings		69,860	54,661	66,545
Total equity		**290,495**	**278,800**	**289,522**
Total interest earning and discount bearing assets		3,480,651	2,901,219	3,035,384
Total interest and discount bearing liabilities		3,159,048	2,606,081	2,703,494

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

Certain comparative information has been restated. Refer to the Changes to comparatives section of note 1 for more information.

Timothy Bennett
Director
29 August 2022

Beihai Hu
Executive Director
29 August 2022

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 (Unaudited) $000	**Contributed equity**	**Reserves**	**Retained earnings**	**Total equity**
Balance as at 1 January 2022	223,307	(330)	66,545	289,522
Comprehensive income/(expense)				
Profit after income tax	-	-	3,315	3,315
Other comprehensive expense, net of tax	-	(2,342)	-	(2,342)
Total comprehensive income/(expense)	**-**	**(2,342)**	**3,315**	**973**
Balance as at 30 June 2022	**223,307**	**(2,672)**	**69,860**	**290,495**

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 year ended 31 December 2021 (Audited) $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	-	-	20,386	20,386
Other comprehensive expense, net of tax	-	(1,746)	-	(1,746)
Total comprehensive income/(expense)	**-**	**(1,746)**	**20,386**	**18,640**
Balance as at 31 December 2021	**223,307**	**(330)**	**66,545**	**289,522**

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 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Cash flows from operating activities				
Interest received		43,903	37,092	71,782
Interest paid		(23,035)	(18,938)	(39,526)
Other operating income received		9,575	7,108	18,380
Operating expenses paid		(9,825)	(10,032)	(20,209)
Income tax paid		(4,895)	(5,988)	(8,252)
Net cash flows from operating activities before changes in operating assets and liabilities		**15,723**	**9,242**	**22,175**
Net changes in operating assets and liabilities:				
Net change in FVTOCI securities		(239,930)	60,000	60,315
Net change in loans and advances		(76,555)	(98,964)	(233,070)
Net change in other assets		342	331	(171)
Net change in customer deposits		(8,571)	98,197	26,537
Net change in payables due to other financial institutions		462,507	83,055	257,912
Net change in other liabilities		233	(576)	(28)
Net changes in operating assets and liabilities		**138,026**	**142,043**	**111,495**
Net cash flows from operating activities		**153,749**	**151,285**	**133,670**
Cash flows from investing activities				
Purchase of property and equipment		(19)	(127)	(299)
Purchase of intangible assets		(13)	(26)	(145)
Net cash flows from investing activities		**(32)**	**(153)**	**(444)**
Cash flows from financing activities				
Issuance of debt securities		-	-	19,937
Repayments of debt securities		(20,000)	(180,000)	(180,000)
Principal elements of lease payments		(453)	(417)	(832)
Net cash flows from financing activities		**(20,453)**	**(180,417)**	**(160,895)**
Net change in cash and cash equivalents		**133,264**	**(29,285)**	**(27,669)**
Cash and cash equivalents at beginning of the period		514,003	541,672	541,672
Cash and cash equivalents at end of the period	4	**647,267**	**512,387**	**514,003**

The above statement of cash flows should be read in conjunction with the accompanying notes.
Certain comparative information has been restated. Refer to the Changes to comparatives section of note 1 for more information.

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 31 December 2021. They were approved for issue by the Board of Directors of the Bank (the "Board") on 29 August 2022.

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 policies

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 31 December 2021, except as described in Note 6 in relation to changes made to the Expected Credit Losses (ECL) models.

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 2021. 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.

Updated estimates, judgements and assumptions in relation to the provision for expected credit losses are set out in Note 6.

1.7 Changes to comparatives

Comparative information has been restated or reclassified, where appropriate, to ensure consistency with presentation in the current period.

Statement of Financial Position

The following reclassification errors were identified and corrected by restating the comparative information of the statement of financial position as at 30 June 2021:

- The accrued interest receivable on securities classified as at fair value through other comprehensive income (FVTOCI securities), which are measured at fair value, of $1,028,000 was incorrectly classified as other assets rather than FVTOCI securities.

- The capitalised brokerage and other origination costs relating to unamortised transaction costs paid to brokers in relation to the origination of residential mortgage loans for amortisation under the effective interest rate method of $10,512,000 was incorrectly classified as other assets rather than added to the balance of loans and advances.

- The unearned income relating to unamortised origination and commitment fees that are an integral part of the effective interest rate of loans and advances of $2,467,000 was incorrectly classified as other liabilities rather than loans and advances.

In addition, the accrued interest payable on payables due to other financial institutions of $6,008,000 has been reclassified from payables due to other financial institutions to other liabilities to ensure consistency with presentation in the current period and consistency with how accrued interest payable is presented for other financial liabilities classified as, and measured at, amortised cost.

These corrections or reclassifications had no impact on net assets or equity previously reported in the prior period. The table below shows the impact of these restatements or reclassifications on the statement of financial position.

Extract of statement of financial position as at 30 June 2021 $000	Previously Disclosed (Unaudited)	Restatement (Unaudited)	Restated Balance (Unaudited)
Assets			
FVTOCI securities	98,022	1,028	99,050
Loans and advances	2,281,494	8,045	2,289,539
Other assets	16,474	(11,540)	4,934
Total assets	**2,919,014**	**(2,467)**	**2,916,547**
Liabilities			
Payables due to other financial institutions	1,433,949	(6,008)	1,427,941
Other liabilities	11,983	3,541	15,524
Total liabilities	**2,640,214**	**(2,467)**	**2,637,747**

Statement of Cash flows

The following classification errors were identified and corrected by restating the comparative information of the statement of cash flows for the six months ended 30 June 2021:

- The amortisation of the premium included in the calculation of the effective interest rate over the expected life of the FVTOCI securities of $3,195,000 was incorrectly disclosed as a decrease in interest received and an increase in net change in FVTOCI securities rather than as a non-cash movement.

- The amortisation of capitalised brokerage and other origination costs in relation to residential mortgage loans of $497,000 was incorrectly disclosed as a decrease in interest received and an increase in net change in other assets rather than as a non-cash movement.

- The cash movement in capitalised brokerage and other origination costs paid to brokers in relation to the origination of residential mortgage loans of $2,704,000 was incorrectly disclosed as a decrease in net change in other assets rather than as a decrease in net change in loans and advances.

- The amortisation of unearned income in relation to origination and commitment fees received that are an integral part of the effective interest rate of loans and advances of $3,940,000 was incorrectly disclosed as an increase in interest received and a decrease in net change in other liabilities rather than as a non-cash movement.

- The cash movement in unearned income in relation to unamortised origination and commitment fees received that are an integral part of the effective interest rate of loans and advances of $3,533,000 was incorrectly disclosed as an increase in net change in other liabilities rather than as an increase in net change in loans and advances.

- The amortisation of capitalised transaction costs on the medium-term notes and amortisation of the discount on certificates of deposit of $177,000 was incorrectly disclosed as an increase in interest paid and a decrease in repayments of debt securities rather than as a non-cash movement.

These corrections had no impact on net change in cash and cash equivalents and cash and cash equivalents previously reported in the prior period. The table below shows the impact of these restatements on the statement of cash flows.

Extract of statement of cash flows for the six months ended 30 June 2021 **$000**	**Previously Disclosed (Unaudited)**	**Restatement (Unaudited)**	**Restated Balance (Unaudited)**
Cash flows from operating activities			
Interest received	37,340	(248)	37,092
Interest paid	(19,115)	177	(18,938)
Net cash flows from operating activities before changes in operating assets and liabilities	**9,313**	**(71)**	**9,242**
Net changes in operating assets and liabilities:			
Net change in FVTOCI securities	63,195	(3,195)	60,000
Net change in loans and advances	(99,793)	829	(98,964)
Net change in other assets	(1,876)	2,207	331
Net change in other liabilities	(983)	407	(576)
Net change in operating assets and liabilities	**141,795**	**248**	**142,043**
Net cash flows from operating activities	**151,108**	**177**	**151,285**
Cash flows from financing activities			
Repayments of debt securities	(179,823)	(177)	(180,000)
Net cash flows from financing activities	**(180,240)**	**(177)**	**(180,417)**

Note disclosures

All comparative restatements or reclassifications are footnoted throughout the financial statements. Other than those described above, all restatements and reclassifications have no impact on the previously reported statement of comprehensive income, statement of financial position or statement of cash flows.

2 OTHER OPERATING INCOME

$000	Unaudited Six months ended 30/06/22	Unaudited Six months ended 30/06/21	Audited Year ended 31/12/21
Lending and credit facility related fee income	93	244	504
Fund management fee and consulting fee income	1,523	1,787	3,540
Service fees from related entities[1]	6,301	4,426	12,966
Other fees and commissions[2]	96	115	244
Net gains/(losses) on financial instruments mandatorily measured at FVTPL	847	929	1,503
Other	68	15	5
Total other operating income	**8,928**	**7,516**	**18,762**

[1]Refer to Note 12 for further details.
[2]Other fees and commissions includes account management fees and transaction fees.

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

3 IMPAIRMENT (CHARGES)/BENEFITS

For the six months ended 30 June 2022 (Unaudited) $000	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	(1,489)	(3,582)	240	(4,831)
Movement in individually assessed provision	-	56	-	56
Bad debts written-off directly to the profit or loss	-	-	-	-
Bad debts recovered	-	-	-	-
Total Impairment (charges)/benefits	**(1,489)**	**(3,526)**	**240**	**(4,775)**
For the six months ended 30 June 2021 (Unaudited) $000				
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 year ended 31 December 2021 (Audited) $000				
Movement in collective provision	(229)	729	(313)	187
Movement in individually assessed provision	-	(190)	-	(190)
Bad debts written-off directly to the profit or loss	-	-	-	-
Bad debts recovered	-	-	-	-
Total Impairment (charges)/benefits	**(229)**	**539**	**(313)**	**(3)**

4 CASH AND LIQUID ASSETS

As at $000	Unaudited 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Cash and balances with central banks	611,010	493,986	467,294
Current deposits in other institutions	11,529	7,017	8,599
Transaction balances with other institutions	24,728	11,384	38,110
Total cash and liquid assets	**647,267**	**512,387**	**514,003**

5 LOANS AND ADVANCES

As at $000	Unaudited 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Gross loans and advances:			
Residential mortgages	1,851,909	1,437,032	1,765,620
Corporate loans	651,638	853,778	660,227
Subtotal	**2,503,547**	**2,290,810**	**2,425,847**
Unearned income	(2,139)	(2,467)	(2,561)
Capitalised brokerage and other origination costs	11,440	10,512	11,069
Gross loans and advances	**2,512,848**	**2,298,855**	**2,434,355**
Provision for expected credit losses:			
Collective provision	(9,062)	(6,162)	(3,902)
Individually assessed provision	(3,198)	(3,154)	(3,267)
Total provision for expected credit losses	**(12,260)**	**(9,316)**	**(7,169)**
Net loans and advances	**2,500,588**	**2,289,539**	**2,427,186**

Certain comparative information has been restated. Refer to the Changes to comparatives section of note 1 for more information.

6 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 2022 (Unaudited) $000	Residential mortgages	Corporate exposures	Other exposures	Total
Neither past due nor impaired	**1,845,304**	**644,059**	**-**	**2,489,363**
Past due but not impaired				
Less than 30 days past due	6,605	-	-	6,605
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	**6,605**	**-**	**-**	**6,605**
Individually impaired assets				
Balance at beginning of the period	-	5,452	-	5,452
Additions	-	2,150	-	2,150
Amounts written off	-	-	-	-
Deletions/recoveries	-	(23)	-	(23)
Balance at end of the period	**-**	**7,579**	**-**	**7,579**
Subtotal	**1,851,909**	**651,638**	**-**	**2,503,547**
Unearned income	-	(2,139)	-	(2,139)
Capitalised brokerage and other origination costs	11,440	-	-	11,440
Total gross loans and advances	**1,863,349**	**649,499**	**-**	**2,512,848**
Individually assessed provisions				
Balance at beginning of the period	-	3,267	-	3,267
Change due to transfers between ECL stages	-	-		-
Charge/(credit) to the statement of comprehensive income	-	(56)	-	(56)
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	(13)	-	(13)
Balance at end of the period	**-**	**3,198**	**-**	**3,198**
Collectively assessed provisions				
Balance at beginning of the period	888	3,014	-	3,902
Change due to transfers between ECL stages	-	-	-	-
Charge/(credit) to the statement of comprehensive income	1,489	3,582	-	5,071
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	89	-	89
Balance at end of the period	**2,377**	**6,685**	**-**	**9,062**
Total provision for expected credit losses	**2,377**	**9,883**	**-**	**12,260**
Total net loans and advances	**1,860,972**	**639,616**	**-**	**2,500,588**

The Bank had $nil undrawn commitments to counterparties for whom drawn balances are classified as individually impaired. The Bank does not have other assets under administration as at 30 June 2022.

b) Movement in loans and advances

For the six months ended 30 June 2022 (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	1,761,634	3,986	-	-	1,765,620
Change due to transfers between ECL stages	(1,626)	1,626	-	-	-
Additions	169,050	-	-	-	169,050
Deletions	(82,623)	(138)	-	-	(82,761)
Amounts written off	-	-	-	-	-
Gross balance as at end of period	**1,846,435**	**5,474**	**-**	**-**	**1,851,909**
Corporate exposure					
Gross balance at beginning of period	652,475	2,300	5,452	-	660,227
Change due to transfers between ECL stages	(44,126)	41,976	2,150	-	-
Additions	165,492	-	-	-	165,492
Deletions	(173,908)	(150)	(23)	-	(174,081)
Amounts written off	-	-	-	-	-
Gross balance as at end of period	**599,933**	**44,126**	**7,579**	**-**	**651,638**
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	2,414,109	6,286	5,452	-	2,425,847
Change due to transfers between ECL stages	(45,752)	43,602	2,150	-	-
Additions	334,542	-	-	-	334,542
Deletions	(256,531)	(288)	(23)	-	(256,842)
Amounts written off	-	-	-	-	-
Subtotal	**2,446,368**	**49,600**	**7,579**	**-**	**2,503,547**
Unearned income					(2,139)
Capitalised brokerage and other origination costs					11,440
Gross balance as at end of period					**2,512,848**

c) Movement in provision for expected credit losses

For the six months ended 30 June 2022 (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	851	37	-	-	888
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	(0)	0	-	-	-
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)	1,152	337	-	-	1,489
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	-	-	-	-	-
Total provision for residential mortgages	**2,003**	**374**	**-**	**-**	**2,377**
Corporate loans					
Balance at beginning of period	2,698	316	-	3,267	6,281
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	(234)	234	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	(316)	316	-	-
Transferred to individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	427	2,073	1,082	(56)	3,526
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	89	-	-	(13)	76
Total provision for corporate exposure	**2,980**	**2,307**	**1,398**	**3,198**	**9,883**
Off-balance sheet credit related commitments and contingencies					
Balance at beginning of period	733	-		-	733
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)	(247)	7	-	-	(240)
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	4	-	-	-	4
Total provision for off-balance sheet credit related commitments and contingencies[1]	**490**	**7**	**-**	**-**	**497**
Total					
Balance at beginning of period	4,282	353	-	3,267	7,902
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	(234)	234	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	(316)	316	-	-
Transferred to individual provision lifetime ECL credit impaired	-	-	-	-	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	1,332	2,417	1,082	(56)	4,775
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	93	-	-	(13)	80
Total provision for expected credit losses	**5,473**	**2,688**	**1,398**	**3,198**	**12,757**

[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 expected credit losses table does not include ‘Other’ credit exposures on the basis that the provision for expected credit losses is $nil.

Explanation of movements in provision for expected credit losses (unaudited)

Key judgements and estimates

The following table summarises the key judgements and assumptions in relation to estimating the collectively assessed ECL and highlights significant changes during the current period. The judgements and associated assumptions have been made within the context of the current economic conditions and reflects historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Bank's ECL estimates are inherently uncertain, and the estimation uncertainty remains at a heightened level due to the COVID-19 pandemic, the impact of rising interest rates and inflationary pressures, increased geopolitical tensions around the world, global supply chain issues and labour shortages. As a result, actual results may materially differ from these estimates.

Judgement/Assumption	Considerations for the six months ended 30 June 2022
Determining when a significant increase in credit risk (SICR) has occurred	• There have been no changes to the approach in determining SICR in the current year.
Forward-looking macroeconomic variables	• In the prior year, the New Zealand GDP growth rate was the only forward-looking macroeconomic variable used. • In the current period, the Bank has incorporated additional forward-looking macroeconomic economic variables, including the New Zealand unemployment rate and New Zealand Consumer Price Index (CPI), as well as the consideration of historical Official Cash Rate (OCR) volatility and the country group/regional non-performing loan ratio, for the determination of the forward-looking probabilities of default (PDs). • All of the forward-looking macroeconomic variable data was sourced from the International Monetary Fund (IMF) other than the country group/regional non-performing loan ratio data, which was sourced from the World Bank.
Measuring ECL	• Due to the relatively short operating history of the Bank and limited data on credit events, the Bank used BoC assigned PDs calibrated using the historical data of all BoC overseas entities as the best estimate for the base PD to derive a forward-looking PD matrix based on New Zealand forward-looking macroeconomic variables. • The forward-looking PDs were calculated based on an enhanced modelled multiple macroeconomic scenario approach consisting of additional forward-looking macroeconomic variables described above (rather than a base case scenario with GDP growth rate as the sole forward-looking macroeconomic variable and with macroeconomic scenarios and weightings considered outside of the model as occurred in prior periods). • There were no changes to the Loss Given Default (LGD) and Exposure at Default (EAD) methodology. <u>Residential mortgages:</u> • With the combined effect from current economic conditions, updated forward-looking macroeconomic variables and the implementation of an enhanced modelled multiple macroeconomic scenario approach, the Bank has observed a significant uplift in forward-looking PDs and the final provision for ECL. <u>Corporate:</u> • Given relatively slow credit growth and natural run-off during the period, there was a slight decrease in corporate forward-looking PDs in stage 1 ECL. However, the provision for ECL for corporate loans in stage 1 increased as a result of corporate loan movements and the different customer credit ratings applied. • Due to COVID-19 and other factors, the Bank has identified individual corporate customers where the asset quality has deteriorated since the last reporting date, hence there has been a significant increase in stage 2 and stage 3 ECLs.

Management judgement	Management has reviewed the modelled ECL outcome and the key movements over the last 6 months. Management has also considered the following factors as part of their consideration on the reasonableness of the provision for ECL. <u>Residential mortgages:</u> • The Bank only offers residential mortgage loans, fully secured with origination LVR of no more than 80%, with most debtors having diversified sources of income. • Management has seen the recent sharp increase of OCR with expectation of further OCR increases. Higher interest rates lead to higher borrowing costs and may result in an increase in delinquencies and defaults in the residential mortgages portfolio. • House prices in New Zealand have fallen since their peak in late 2021. Rising interest rates, tighter loan-to-value ratio requirements and changes to responsible lending rules have all put downward pressure on prices. Management expects further deterioration through the next reporting period. • Management has reviewed overall portfolio performance and the ECL coverage ratio for each stage based on the modelled outcome with comparison across major peers to evaluate the appropriateness. A post-model adjustment reducing the increase in the provision for ECL by $1,139,000 was deemed necessary to address limitations in model design and to reflect expert judgement applied following management review and challenge. <u>Corporate:</u> • The Bank's corporate customers are mainly in essential industries, such as energy and utilities, food manufacturing and transport and logistics with indirect impact from the COVID-19 pandemic. • Customers in real estate and construction sectors are all currently performing normally. The Bank does not offer any unsecured personal loans or credit card products, as such there has been little impact on the retail side from COVID-19 pandemic. Management is comfortable with the level of the provisions for ECL for residential mortgages and corporate exposures as at 30 June 2022.

Base case macroeconomic variable forecast assumptions

The key macroeconomic variables and their forecasts used in the base case at 30 June 2022 are set out below:

New Zealand	2022 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2025 (Unaudited)	2026 (Unaudited)
Unemployment Rate %	4.9	4.7	4.5	4.4	4.4
GDP Growth Rate %	3.2	2.6	2.5	2.4	2.5
CPI (index)	156.2	158.9	162.3	165.7	169.3

Historical Official Cash Rate (OCR) volatility and an asset quality indicator are also used to derive the forward-looking PD matrix. The asset quality indicator is the average non-performing loan ratio from developed country group[1], including New Zealand and Australia, reflecting the source of the Bank's customers.

[1] This country group includes New Zealand, Australia, Canada, France, Germany, Japan, Korea, Luxemburg, Singapore, UK and Cayman Islands.

Movements in provision for ECL

Movement of collective provision

For the 6 months ended 30 June 2022, the Bank had a net increase of $4.92 million in the total collective provision, as detailed below:

- Collective provision 12-months ECL (Stage 1) increased by $1.19 million during the period:
    - an increase of $1.15 million from residential mortgages predominantly due to the combined effect of current economic conditions, updated forward-looking macroeconomic variables, the implementation of an enhanced modelled multiple macroeconomic scenario approach and the net growth in the residential mortgages portfolio;
    - an increase of $282 thousand predominantly due to corporate loan movements and the different customer credit ratings applied; and
    - a decrease of $243 thousand predominantly due to the net decrease in off-balance sheet credit related commitments and contingencies.
- Collective provision lifetime ECL not credit impaired (Stage 2) increased by $2.34 million, this includes a $337 thousand increase in residential mortgages due to overdue repayments and a $1.99 million increase due to downgrade of customers' risk classification in corporate portfolio.
- Collective provision lifetime ECL credit impaired (Stage 3) was increased to $1.40 million from $nil, on the basis of objective evidence obtained during the period indicating the recoverable amount of a loan is less than its carrying value. As at 30 June 2022, the loan in this category has a carrying value of NZ$2.15 million (31 December 2021: $nil, 30 June 2021: $nil), gross of provision for expected credit losses.

Movement of individually assessed provision

Individually assessed provision lifetime ECL credit impaired (Stage 3) slightly decreased by $69 thousand due to a recovery and the movement in exchange rates.

As at 30 June 2022, the impaired loans in this category have a carrying value of NZ$5.43 million (31 December 2021: NZ$5.45 million, 30 June 2021: $5.34 million), gross of provision for expected credit losses. The loans were impaired on the basis of objective evidence indicating the recoverable amount of the loans is less than the carrying value. The individually assessed provision on the loans reflects management's reasonable estimate of the expected credit loss as at 30 June 2022.

Probability weightings

The probability weightings for each macroeconomic scenario are derived based on the global GDP growth rate, on the assumption that New Zealand's economic environment is highly associated with the global economy, and are approved by senior management. The same four macroeconomic scenarios and the corresponding probability weightings apply across all portfolios.

The following table summarises the weightings the Bank has applied to each scenario in determining the provision for ECL:

As at	30/06/22 (Unaudited)
Base case	30%
Upside	25%
Downside	25%
Severe downside	20%

To derive the weighting for each scenario, the Bank uses the global GDP growth rate as the core benchmark and applies the deviation of the forecast value under each scenario from the baseline forecast and the linear interpolation method to calculate the score of forecast value under each scenario.

For the upside, downside and severe downside scenarios, the Bank applied +0.5, -0.5 and -1 standard deviation on top of the baseline forecast, respectively, based on the historical global GDP growth rate distribution sourced from the IMF, to construct macroeconomic forecasts for non-baseline scenarios and determine the weighting for each scenario by proportion of the score of each scenario with expert judgement applied.

Sensitivity analysis

The following table details the increase/(decrease) in the Bank's provision for ECL, assuming a 100% weighting on each scenario and holding all other assumptions constant:

As at 30 June 2022 $000	100% weighting (Unaudited)	Difference to the reported probability-weighted ECL (Unaudited)
Base case	11,137	(1,620)
Upside	9,958	(2,799)
Downside	14,010	1,253
Severe downside	17,119	4,362
Reported probability weighted ECL	**12,757**	**-**

7 CUSTOMER DEPOSITS

As at $000	Unaudited 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Term deposits	624,055	744,292	573,032
Savings/Demand deposits	133,916	93,674	193,517
Margin deposits	1,330	1,566	1,323
Total customer deposits	**759,301**	**839,532**	**767,872**

8 PAYABLES DUE TO OTHER FINANCIAL INSTITUTIONS

As at $000	Unaudited 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Due to other financial institutions	1,034,559	728,612	829,849
Due to related entities	937,746	699,329	772,949
Securities sold under agreements to repurchase from central banks	93,000	-	-
Total payables due to other financial institutions	**2,065,305**	**1,427,941**	**1,602,798**

Certain comparative information has been restated. Refer to the Changes to comparatives section of note 1 for more information.

9 DEBT SECURITIES ON ISSUE

As at $000	Unaudited 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Certificates of deposit	-	-	19,950
Medium-term notes	349,939	349,940	349,928
Total debt securities issued	**349,939**	**349,940**	**369,878**
Movement in debt securities issued			
Balance at beginning of period	369,878	529,763	529,763
Issuance during period	-	-	19,937
Repayments during period	(20,000)	(180,000)	(180,000)
Other movements	61	177	178
Balance at end of period	**349,939**	**349,940**	**369,878**

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

10 COMMITMENTS AND CONTINGENCIES

As at $000	Unaudited 30/06/22	Unaudited 30/06/21	Audited 31/12/21
Credit related commitments and contingencies			
Letters of credit and guarantees	4,621	9,421	4,237
Commitments to extend credit	263,700	165,936	369,190
Total credit related commitments and contingencies	**268,321**	**175,357**	**373,427**

11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement or disclosure purposes.

Fair value hierarchy of financial instruments measured at fair value

All assets and liabilities for which fair value is measured or disclosed 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) valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

(b) valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly (Level 2), and

(c) valuations where significant unobservable inputs are used to measure the fair value of the asset or liability (Level 3).

As at 30 June 2022 (Unaudited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	252	-	252
FVTOCI securities	331,689	-	-	331,689
Total financial assets carried at fair value	**331,689**	**252**	**-**	**331,941**
Financial liabilities				
Derivative liabilities	-	845	-	845
Total financial liabilities carried at fair value	**-**	**845**	**-**	**845**

As at 30 June 2021 (Unaudited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	1,509	-	1,509
FVTOCI securities	99,050	-	-	99,050
Total financial assets carried at fair value	**99,050**	**1,509**	**-**	**100,559**
Financial liabilities				
Derivative liabilities	-	1,480	-	1,480
Total financial liabilities carried at fair value	**-**	**1,480**	**-**	**1,480**

As at 31 December 2021 (Audited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	875	-	875
FVTOCI securities	95,535	-	-	95,535
Total financial assets carried at fair value	**95,535**	**875**	**-**	**96,410**
Financial liabilities				
Derivative liabilities	-	938	-	938
Total financial liabilities carried at fair value	**-**	**938**	**-**	**938**

Fair value of financial instruments not measured at fair value

NZ IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of fair value of those financial instruments not carried at fair value in the statement of financial position. 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 where the carrying amount is not considered a close approximation of fair value.

As at $000	30/06/22 (Unaudited)		30/06/21 (Unaudited)		31/12/21 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Loans and advances	2,500,588	2,353,315	2,289,539	2,219,954	2,427,186	2,425,572
Total	**2,500,588**	**2,353,315**	**2,289,539**	**2,219,954**	**2,427,186**	**2,425,572**
Financial liabilities						
Customer deposits	759,301	758,971	839,532	839,532	767,872	767,925
Payables due to other financial institutions	2,065,305	2,011,858	1,427,941	1,428,052	1,602,798	1,598,649
Debt securities on issue	349,939	349,948	349,940	365,326	369,878	369,898
Total	**3,174,545**	**3,120,777**	**2,617,413**	**2,632,910**	**2,740,548**	**2,736,472**

Certain comparative information has been restated. Refer to the Changes to comparatives section of note 1 for more information. Certain other comparative information has also been restated to ensure consistency with presentation in the current period.

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

- **FVTOCI securities**

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

- **Loans and advances**

  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 in terms of credit, interest rate repricing and maturity profiles.

- **Derivative financial instruments**

  The fair value of derivative financial instruments, including exchange rate contracts and interest rate swaps are obtained from observable market prices as at the reporting date or discounted cash flow models as appropriate.

- **Payables due to other financial institutions**

  For payables due to other financial institutions repricing within six months, the fair value is approximated as the carrying value as at the reporting date. For other payables due to other financial institutions, the fair value is estimated by discounting the cash flows based on the maturity of the deposit, using current market rates for similar instruments with similar maturity profiles.

- **Customers deposits**

  With respect to deposits from customers, the carrying amount of non-interest-bearing, call and variable rate deposits and fixed rate deposits repricing within six months approximate their fair value. For other fixed rate term deposits, the fair value is estimated by discounting the cash flows based on the maturity of the deposit, using current market rates for similar instruments with similar maturity profiles.

- **Debt securities on issue**

  The fair value of medium-term notes is based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This 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.

12 RELATED PARTY TRANSACTIONS

The Bank is a wholly owned subsidiary of BoC, a company incorporated in China. The Ultimate Parent Bank of the Bank is BoC. The Ultimate Parent Bank Group refers to the Ultimate Parent Bank and its controlled entities. As at 30 June 2022, the Bank had no controlled entities. Transactions and balances with the Bank of China Limited, Auckland Branch are included in the Ultimate Parent Bank's balances in the tables below.

Transactions with related parties

$000	Unaudited Six months ended 30/06/22		Unaudited Six months ended 30/06/21		Audited Year ended 31/12/21	
	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities
Interest income	(1)	4	(1)	10	-	120
Interest expense	(13,091)	-	(3,728)	(358)	(8,429)	(361)
Other operating income						
Service fees from related entities[1]	6,301	-	4,426	-	12,966	-
Other fees and commissions	-	1	-	1	-	1
Net gains/(losses) on financial instruments	912	-	177	-	296	-
Operating expenses	(149)	-	-	-	(37)	-

[1] Service fees from related entities relate to the fees charged to the Bank of China Limited, Auckland Branch for the outsourcing services provided by the Bank to the Bank of China Limited, Auckland Branch, including financial and accounting services, human resources, business development, marketing and relationship management, risk management and compliance, office administration, local internal audit function and settlement and other banking system operations. The fees charged are calculated on a cost allocation basis.

There were no debts with any related parties written off or forgiven during the six months ended 30 June 2022 (year ended 31 December 2021: $nil and six months ended 30 June 2021: $nil).

Balances with related parties

As at $000	Unaudited 30/06/22		Unaudited 30/06/21		Audited 31/12/21	
	Ultimate Parent Bank	Other related parties	Ultimate Parent Bank	Other related parties	Ultimate Parent Bank	Other related parties
Cash and liquid assets	12,772	11,956	8,103	3,281	34,283	3,826
Loans and advances	-	-	-	3,594	-	3,580
Derivative assets	59	-	29	-	18	-
Total related party assets	**12,831**	**11,956**	**8,132**	**6,875**	**34,301**	**7,406**
Customer deposits	-	-	-	-	-	200
Payables due to other financial institutions	934,776	2,970	700,989	-	772,614	335
Derivative liabilities	790	-	1,479	-	938	-
Other liabilities	11,998	-	857	-	1,672	-
Total related party liabilities	**947,564**	**2,970**	**703,325**	**-**	**775,224**	**535**

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

No provisions for impairment losses were recognised in respect of related party assets as at 30 June 2022 (31 December 2021: $nil and 30 June 2021: $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.

Other transactions and balances

On 10 November 2021, a $125 million committed revolving credit facility agreement was entered into between the Bank and Bank of China Limited, Auckland Branch, the drawn balance of which was $nil at 30 June 2022 (31 December 2021: $nil). The facility expires on 10 November 2023 and the Bank will use this facility to meet its liquidity requirements.

The Bank has entered into interest rate derivatives and exchange rate derivatives with the Ultimate Parent Bank with an aggregate notional principal amount as at 30 June 2022 of $24,100,000 and $101,852,000 respectively (31 December 2021: $21,968,000 and $30,707,000, 30 June 2021: $68,334,000 and $16,387,000). The carrying amount of interest rate derivatives at 30 June 2022 is split between those with a positive fair value of $55,000 recognised as assets (31 December 2021: $nil, 30 June 2021: $nil), and those with a negative fair value rounding to $nil recognised as liabilities (31 December 2021: $810,000, 30 June 2021: $1,435,000). For exchange rate derivatives, $4,000 is recognised as assets (31 December 2021: $18,000, 30 June 2021: $29,000) and $790,000 is recognised as liabilities (31 December 2021: $128,000, 30 June 2021: $44,000).

During the period, corporate loans totalling $8 million (year ended 31 December 2021: $nil, six months ended 30 June 2021: $nil) were transferred by the Bank to Bank of China Limited, Auckland Branch to support liquidity and funding limits. The amounts paid by Bank of China Limited, Auckland Branch to the Bank for the corporate loans transferred was the carrying amount as at date of sale.

13 CONCENTRATION OF CREDIT EXPOSURES

13.1 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 2022 (Unaudited) $000	**On-balance sheet financial assets**	**Off-balance sheet credit related commitments**
Industry sector		
Agriculture	14,337	938
Forestry and fishing	25,475	34,216
Mining	-	-
Manufacturing	167,753	34,057
Electricity, gas, water and waste services	50,161	-
Construction	115,271	18,600
Wholesale trade	42,281	6,041
Retail trade	37,831	2,382
Accommodation and food services	-	58
Transport, postal and warehousing	62,052	15,000
Information media and telecommunications	-	100,000
Financial and insurance services	984,139	3,278
Rental, hiring and real estate services	111,004	7,052
Professional, scientific and technical services	438	-
Administrative and support services	-	-
Public administration and safety	-	-
Education and training	-	-
Health care and social assistance	23,392	38,824
Arts and recreation services	-	-
Personal lending	1,854,023	7,841
Other services	1,730	34
Subtotal	**3,489,887**	**268,321**
Provision for expected credit losses	(12,260)	(497)
Unearned income	(2,139)	-
Capitalised brokerage and other origination costs	11,440	-
Total credit exposures	**3,486,928**	**267,824**
Geographic area		
New Zealand	3,155,999	265,043
Overseas	333,888	3,278
Subtotal	**3,489,887**	**268,321**
Provision for expected credit losses	(12,260)	(497)
Unearned income	(2,139)	-
Capitalised brokerage and other origination costs	11,440	-
Total credit exposures	**3,486,928**	**267,824**

13.2 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 aggregate credit exposure Number of bank counterparties For the six months ended 30 June 2022 (Unaudited)				Number of bank counterparties As at 30 June 2022 (Unaudited)			
Percentage of CET1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
10-15%	1	-	-	1	-	-	-	-

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 aggregate credit exposure Number of non-bank counterparties For the six months ended 30 June 2022 (Unaudited)				Number of non-bank counterparties As at 30 June 2022 (Unaudited)			
Percentage of CET1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
10-15%	-	-	8	8	-	-	4	4
16-20%	-	-	4	4	-	-	2	2
21-25%	-	-	2	2	-	-	1	1
26-30%	-	-	-	-	-	-	-	-
31-35%	-	-	-	-	-	-	1	1
36-40%	-	-	2	2	-	-	1	1

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.

14 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 30/06/22
Funding comprises	
Customer deposits	759,301
Payables due to other financial institutions	2,065,305
Debt securities on issue	349,939
Total funding	**3,174,545**
Concentration of funding by industry sector	
Agriculture, forestry and fishing	5,835
Mining	-
Manufacturing	147,237
Electricity, gas, water and waste services	-
Construction	10,960
Wholesale trade	3,378
Retail trade	2,513
Accommodation and food services	48,560
Transport, postal and warehousing	17,667
Information media and telecommunication	80,344
Financial and insurance services	2,434,248
Rental, hiring and real estate services	67,567
Professional, scientific and technical services	8,704
Administrative and support services	-
Public administration and safety	135,056
Education and training	10,609
Health care and social assistance	-
Arts and recreation services	-
Households	150,239
Other services	51,628
Total funding	**3,174,545**
Concentration of funding by geographical location	
New Zealand	2,099,269
Other countries	1,075,276
Total funding	**3,174,545**

15 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 31 December 2021.

16 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 30 June 2022 is as follows:

As at 30 June 2022 (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
Financial Assets							
Cash and liquid assets	647,267	-	-	-	-	-	647,267
Derivative assets	-	-	-	-	-	252	252
FVTOCI securities	49,926	-	131,162	-	148,749	1,852	331,689
Loans and advances	738,811	354,438	647,198	574,382	188,718	(2,959)	2,500,588
Other financial assets	-	-	-	-	-	7,132	7,132
Total financial assets	**1,436,004**	**354,438**	**778,360**	**574,382**	**337,467**	**6,277**	**3,486,928**
Non-financial assets							9,900
Total assets							**3,496,828**
Financial Liabilities							
Customer deposits	499,060	146,620	95,975	2,149	-	15,497	759,301
Payables due to other financial institutions	1,147,216	62,997	63,092	380,000	412,000	-	2,065,305
Derivative liabilities	-	-	-	-	-	845	845
Debt securities on issue	-	199,994	149,945	-	-	-	349,939
Other financial liabilities	-	-	-	-	-	22,690	22,690
Total finanical liabilities	**1,646,276**	**409,611**	**309,012**	**382,149**	**412,000**	**39,032**	**3,198,080**
Non-financial liabilities							8,253
Total liabilites							**3,206,333**
Net Gap	**(210,272)**	**(55,173)**	**469,348**	**192,233**	**(74,533)**	**(32,755)**	**288,848**

Liquidity and funding risk

Liquidity risk is the risk of not being able to meet financial obligations as they fall due and that liquidity in financial markets, such as the market for debt securities, may reduce significantly. Funding risk contributes to overall liquidity risk and is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Bank manages liquidity risk by continuously monitoring forecast and actual cash flows. The Bank holds a portfolio of high-quality liquid assets as a buffer against unexpected funding requirements. These assets are readily realisable investment assets and deposits with high credit quality counterparties. The level of liquid asset holdings is reviewed frequently and is consistent with balance sheet requirements and market conditions.

In January 2022, the China Banking and Insurance Regulatory Commission ("CBIRC") issued *Rules on Related-Party Transactions of Banking and Insurance Institutions*. The Rules are effective from 1 March 2022 but with a one year transitional period from that date and they may have an impact on the guarantees provided by BoC ("BoC Guarantee") and/or Bank of China Limited, Auckland Branch ("BoC Auckland Branch Guarantee"), which are detailed on pages 1 and 2 of this Disclosure Statement.

Should an exemption from the Rules not be obtained from the CBIRC and the BoC Guarantee and/or the BOC Auckland Branch Guarantee were required to be terminated in whole or in part, the Bank will be able to take the actions necessary in relation to its balance sheet to ensure that it continues to meet its obligations as they fall due and remain in compliance with the Reserve Bank's regulatory liquidity requirements.

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 30/06/22
Cash and cash equivalents:	
Cash and liquid assets	647,267
Government securities	331,689
Total liquidity portfolio	**978,956**

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 2022 (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	137,407	378,311	148,285	98,022	2,248	-	764,273
Payables due to other financial institutions	234,927	670,790	64,808	67,357	504,129	603,909	2,145,920
Debt securities on issue	-	-	207,105	153,015	-	-	360,120
Lease liabilities	-	239	239	478	956	351	2,263
Other financial liabilities	-	2,980	3,992	1,038	8,055	6,625	22,690
Total non-derivative financial liabilities	**372,334**	**1,052,320**	**424,429**	**319,910**	**515,388**	**610,885**	**3,295,266**
Derivative financial liabilities							
Net settled	-	(865)	-	-	-	-	(865)
Gross settled – cash inflow	-	93,882	5,361	500	-	-	99,743
Gross settled – cash outflow	-	(94,529)	(5,439)	(533)	-	-	(100,501)
Total derivative financial liabilities	**-**	**(1,512)**	**(78)**	**(33)**	**-**	**-**	**(1,623)**
Off-balance sheet credit related commitments and contingencies							
Letters of credit and guarantees	4,621	-	-	-	-	-	4,621
Commitments to extend credit	263,700	-	-	-	-	-	263,700
Total off-balance sheet credit related commitments and contingencies	**268,321**	**-**	**-**	**-**	**-**	**-**	**268,321**

17 CAPITAL ADEQUACY AND REGULATORY LIQUIDITY RATIOS

The Bank is subject to the capital adequacy requirements for registered banks as specified by the Reserve Bank of New Zealand (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 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. The Bank uses the standardised approach as it has not been accredited by the Reserve Bank to use the internal models approach. The Bank applies the Reserve Bank's BPR 100-160 Capital Requirements and Credit Risk for calculating regulatory requirements as applicable to a standardised bank.

Total regulatory capital is defined as the sum of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Tier 1 capital is defined as the sum of Common Equity Tier 1 capital and Additional Tier 1 capital. The Bank's Common Equity Tier 1 capital includes paid up ordinary shares, retained earnings, accumulated other comprehensive income and other disclosed reserves less certain deductions. The Bank does not have any Additional Tier 1 capital or Tier 2 capital.

Capital ratios are used to define minimum capital requirements for each of: Common Equity Tier 1 (CET1), Tier 1 capital (CET1 plus AT1), and Total capital (Tier 1 plus Tier 2), as a percentage of risk-weighted asset equivalents calculated in accordance with the Reserve Bank document BPR100: Capital Adequacy.

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 asset equivalents.
- Tier 1 capital ratio must not be less than 6% of risk-weighted asset equivalents.
- Common Equity Tier 1 capital ratio must not be less than 4.5% of risk-weighted asset equivalents.
- 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% of risk-weighted asset equivalents. 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.

In December 2019, the Reserve Bank released its final decisions following its comprehensive review of its capital framework for banks, known as the Capital Review.

In June 2021 the Reserve Bank published final Banking Prudential Requirements on regulatory capital, which took effect from 1 October 2021. The key capital requirements for the Bank include:

- an increase in the Tier 1 capital requirement to 14% of risk-weighted asset equivalents ("RWA") (including a prudential capital buffer of 7% of RWA, which will consist of a 5.5% conservation buffer and a 1.5% countercyclical capital buffer), of which up to 2.5% can be in the form of Additional Tier 1 capital, and an increase in the total capital requirement to 16% of RWA, of which up to 2% can be in the form of Tier 2 capital;
- phased implementation of the increase in capital buffers from 1 July 2022 with a transition period of six years before banks are required to fully comply with the new rules; and
- changes to the qualification requirements for Additional Tier 1 and Tier 2 capital instruments.

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. Together they provide 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 equivalents and the capital adequacy ratios for the Bank as at 30 June 2022. 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.

17.1 Capital

The table below shows the qualifying capital for the Bank.

As at 30 June 2022 (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)	69,860
Accumulated other comprehensive income and other disclosed reserves	(2,672)
Less: deductions from Common Equity Tier One capital:	
Intangible assets	147
Deferred tax assets	5,469
Total Common Equity Tier One capital	**284,879**
Additional Tier One capital	
Nil	
Total Additional Tier One capital	
Total Tier One capital	**284,879**
Tier Two capital	
Nil	
Total Tier Two capital	
Total capital	**284,879**

Capital instruments

In accordance with the Reserve Bank document BPR110: Capital definitions, 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 reserve of ($2,672,000) as at 30 June 2022.

Credit risk

The capital charge for credit risk is derived by following the risk methodology for measuring capital requirements within BPR130: Credit risk RWAs overview, BPR131: Standardised credit risk RWAs and BPR132: Credit risk mitigation.

17.2(a) On-balance sheet exposures

As at 30 June 2022 (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	942,699	0%	-	-
Banks - 20% weighting	36,257	20%	7,252	580
Banks - 50% weighting	-	50%	-	-
Banks - 100% weighting	-	100%	-	-
Corporate - 20% weighting	-	20%	-	-
Corporate - 50% weighting	27,846	50%	13,923	1,114
Corporate - 100% weighting	613,075	100%	613,075	49,046
Corporate - 150% weighting	-	150%	-	-
Residential mortgages not past due - 35% weighting	1,148,468	35%	401,964	32,157
Residential mortgages not past due - 40% weighting	710,866	40%	284,346	22,748
Residential mortgages not past due - 50% weighting	1,434	50%	717	57
Residential mortgages not past due - 75% weighting	2,316	75%	1,737	139
Residential mortgages not past due - 100% weighting	-	100%	-	-
Past due residential mortgages (90 days and plus)	-	100%	-	-
Other past due assets	2,231	100%	2,231	178
Equity holdings (not deducted from capital) that are publicly traded		300%	-	-
All other equity holdings (not deducted from capital)		400%	-	-
Other assets	6,020	100%	6,020	482
Total on-balance sheet exposures	**3,491,212**		**1,331,265**	**106,501**

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

As at 30 June 2022 (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	-	100%	-	0%	-	-
Asset sale with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitment with certain drawdown	7,827	100%	7,827	36%	2,797	224
Note issuance facility	-	50%	-	0%	-	-
Revolving underwriting facility	-	50%	-	0%	-	-
Performance-related contingency	3,558	50%	1,779	54%	963	77
Trade-related contingency	-	20%	-	0%	-	-
Placements of forward deposits	-	100%	-	0%	-	-
Other commitments where original maturity is more than one year	252,175	50%	126,087	100%	126,087	10,087
Other commitments where original maturity is less than or equal to one year	3,221	20%	644	100%	644	52
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	109,388		1,094	100%	1,094	88
(b) Interest rate contracts	48,201		-	100%	-	-
(c) Other – OTC etc.						
Total off-balance sheet exposures	**424,370**		**137,431**		**131,585**	**10,528**

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

17.2(c) Additional mortgage information

Residential mortgages by loan-to-valuation ratio

As at 30 June 2022 (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceed 90%	Total
Loan-to-valuation ratio				
On-balance sheet exposures	1,859,334	1,434	2,316	1,863,084
Undrawn commitments and other off-balance sheet exposures	7,841	-	-	7,841
Value of exposures	**1,867,175**	**1,434**	**2,316**	**1,870,925**

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	30/06/22 (Unaudited)
Residential mortgages - total gross loans and advances (as disclosed in Note 5 and 6)	1,851,909
Add: Interest receivable	2,112
Add: Capitalised brokerage and other origination costs	11,440
Less: Provision for expected credit losses	(2,377)
Total of Residential Mortgages amounts disclosed in table for On-balance sheet exposures	**1,863,084**
Add: Undrawn commitments and other off-balance sheet exposures	7,841
Total Residential mortgages exposures disclosed in residential mortgages by loan-to-valuation ratio table	**1,870,925**

17.2(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 2022 (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	1,047	-
Residential mortgage	-	-
Other	-	-
Total	**1,047**	**-**

17.3 Operational risk

The capital charge for operational risk is derived by following the risk methodology for measuring capital requirements within BPR150: Standardised operational risk.

As at 30 June 2022 (Unaudited) $000	Implied weighted exposure	Total operational risk capital requirement
Operational risk	171,338	13,707
Total	**171,338**	**13,707**

17.4 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 BPR140: Market risk exposure.

As at 30 June 2022 (Unaudited) $000	End-period capital charge		Peak end-of-day capital charge	
	Implied risk weighted exposure	Aggregated capital charge	Implied risk weighted exposure	Aggregated capital charge
Interest rate risk	74,736	5,979	79,546	6,364
Foreign currency risk	834	67	1,392	111
Equity risk	-	-	-	-
Total	**75,570**	**6,046**	**80,938**	**6,475**

17.5 Total capital requirements

As at 30 June 2022 (Unaudited) $000	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk plus equity	3,628,643	1,462,850	117,029
Operational risk	N/A	171,338	13,707
Market risk	N/A	75,570	6,046
Total	**3,628,643**	**1,709,758**	**136,782**

17.6 Capital ratios

As at	Unaudited 30/06/22	Unaudited 30/06/21	Unaudited 31/12/21
Capital adequacy ratios			
Common equity tier 1 capital ratio	16.66%	16.62%	16.50%
Tier 1 capital ratio	16.66%	16.62%	16.50%
Total capital ratio	16.66%	16.62%	16.50%
Reserve Bank minimum ratio requirements			
Common equity tier 1 capital ratio	4.50%	4.00%	4.50%
Tier 1 capital ratio	6.00%	6.00%	6.00%
Total capital ratio	8.00%	8.00%	8.00%
Prudential capital buffer ratio			
Prudential capital buffer ratio	8.66%	8.62%	8.50%
Prudential capital buffer ratio requirement	2.50%	2.50%	2.50%

17.7 Solo capital adequacy

As at	Unaudited 30/06/22	Unaudited 30/06/21	Unaudited 31/12/21
Common equity tier 1 capital ratio	16.66%	16.62%	16.50%
Tier 1 capital ratio	16.66%	16.62%	16.50%
Total capital ratio	16.66%	16.62%	16.50%

17.8 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 risk and reputational risk. Noting this, it is considered prudent to cater for these Pillar 2 risks through the inclusion of a 2% buffer in 2022 (2021: 2%). 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.

17.9 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 CBIRC. With the approval of 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 Ultimate Parent 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 31 March 2022, the latest reporting date.

The capital ratios below have been calculated in accordance with the Capital Rules for Commercial Banks (Provisional), issued by the CBIRC.

As at	Unaudited 31/03/22	Unaudited 31/03/21	Unaudited 31/12/21
Ultimate Parent Bank Group			
Common equity tier 1 capital ratio	11.33%	11.12%	11.30%
Tier 1 capital ratio	13.30%	12.77%	13.32%
Total capital ratio	16.64%	15.71%	16.53%
Ultimate Parent Bank			
Common equity tier 1 capital ratio	11.12%	10.87%	11.06%
Tier 1 capital ratio	13.32%	12.69%	13.32%
Total capital ratio	17.04%	15.97%	16.91%

17.10 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	Unaudited 30/06/22	Unaudited 31/03/22
One-week mismatch ratio	18.2%	13.1%
One-month mismatch ratio	18.1%	13.5%
One-year core funding ratio	80.7%	80.0%

18 EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no 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 Disclosure Statement

Our conclusion

We have reviewed the Disclosure Statement for the six months ended 30 June 2022 (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 2022, 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 the accompanying:

a) financial statements of the Bank (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) supplementary information that is required to be disclosed under schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state, in all material respects, the matters to which it relates in accordance with those schedules; and

c) 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 the following conclusions 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;
- supplementary information (excluding the supplementary information relating to capital adequacy and regulatory liquidity requirements), taken as a whole, does not fairly state, in all material respects, the matters to which it relates in accordance with schedules 5, 7, 13, 16 and 18 of the Order; and
- 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
29 August 2022

Auckland