中國銀行
BANK OF CHINA

Bank of China (New Zealand) Limited

Disclosure Statement for the six months ended

30 June 2024

TABLE OF CONTENTS

1 GENERAL INFORMATION AND DEFINITIONS

The Disclosure Statement is for the six months ended 30 June 2024. Certain information contained in this Disclosure Statement is required by section 81 of 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;
- "Directors" means the directors of the Bank;
- "China" means the People's Republic of China;
- "RMB" means Renminbi, being the official currency of China;
- "Reserve Bank" means the Reserve Bank of New Zealand; and
- "NAFR" means the National Administration of Financial Regulation.

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.

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 Global Ratings	A	Stable
Moody's Investors Service	A1	Negative
Fitch Ratings	A	Stable

During the two years 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 2023 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 2023. 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 on the assets of BoC, 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 2023. 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 the BoC Auckland Branch 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 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.

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

3 DIRECTORATE

The following changes were made to the composition of the Bank's Board of Directors since 31 December 2023:

- Yuanbo Chen concluded her term as a Non-executive Non-Independent Director of the Bank on 28 February 2024.
- Yi Gao was appointed as a Non-executive Non-Independent Director of the Bank with effect from 28 February 2024.
- Sinead Horgan concluded her term as a Non-executive Independent Director of the Bank on 26 March 2024.
- Lloyd Cartwright was appointed as a Non-executive Independent Director of the Bank with effect from 26 March 2024.

4 AUDITOR

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

5 CONDITIONS OF REGISTRATION

Changes to the Bank's conditions of registration since the previous Disclosure Statement.

The RBNZ made the following changes to Bank's conditions of registration effective 1 April 2024:

1. The Bank must comply with all the requirements set out in BS8 Connected Exposures 1 October 2023;
2. Updating the version date in Banking Prudential Requirement (BPR) 131: Standardised credit risk RWAs to 1 April 2024.

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.

Rating agency	Long-term counterparty credit rating	Outlook
Standard & Poor's Global Ratings	A	Stable
Moody's Investors Service	A1	Negative

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

A credit rating is not a recommendation to buy, sell or hold securities of the Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in the Bank's securities are cautioned to evaluate each rating independently of any other rating.

8 OTHER MATERIAL MATTERS

The Bank published its first Climate Related Disclosures on 26 April 2024. These disclosures are available for download, free of charge, on the Bank's website (www.bankofchina.com/nz).

There are no other matters relating to the business or affairs of the Banking Group which are not contained elsewhere in the Disclosure Statement and which would, if disclosed, 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.

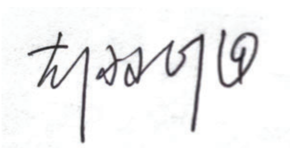
Each Director of the Bank believes, after due enquiry that, over the six months ended 30 June 2024:

(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 26 August 2024 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 2024

STATEMENT OF COMPREHENSIVE INCOME

For the period ended $000	Note	Unaudited 6 months 30/06/24	Unaudited 6 months 30/06/23	Audited Year ended 31/12/23
Interest income		114,025	81,135	185,883
Interest expense		(92,891)	(70,645)	(159,753)
Net interest income		**21,134**	**10,490**	**26,130**
Other operating income	2	14,349	13,790	30,759
Net operating income		**35,483**	**24,280**	**56,889**
Operating expenses		(14,111)	(14,442)	(28,594)
Impairment (charges)/benefits	3	(5,192)	(4,251)	(3,683)
Profit before income tax		**16,180**	**5,587**	**24,612**
Income tax expense		(4,537)	(1,573)	(6,907)
Profit after income tax		**11,643**	**4,014**	**17,705**
Other comprehensive income, 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)		12	1,126	2,683
Total other comprehensive income/(expense) for the year, net of tax		**12**	**1,126**	**2,683**
Total comprehensive income for the year		**11,655**	**5,140**	**20,388**

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

STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2024 (Unaudited) $000	Contributed equity	Reserves	Retained earnings	Total equity
Balance as at 1 January 2024	223,307	(2,503)	84,250	305,054
Comprehensive income/(expense)				
Profit after income tax	-	-	11,643	11,643
Other comprehensive expense, net of tax	-	12	-	12
Total comprehensive income/(expense)	**-**	**12**	**11,643**	**11,655**
Dividends paid on ordinary shares	-	-	-	-
Balance as at 30 June 2024	**223,307**	**(2,491)**	**95,893**	**316,709**

For the 6 months ended 30 June 2023 (Unaudited) $000	Contributed equity	Reserves	Retained earnings	Total equity
Balance as at 1 January 2023	223,307	(5,186)	73,900	292,021
Comprehensive income/(expense)				
Profit after income tax	-	-	4,014	4,014
Other comprehensive expense, net of tax	-	1,126	-	1,126
Total comprehensive income/(expense)	**-**	**1,126**	**4,014**	**5,140**
Balance as at 30 June 2023	**223,307**	**(4,060)**	**77,914**	**297,161**

For the year ended 31 December 2023 (Audited) $000	Contributed equity	Reserves	Retained earnings	Total equity
Balance as at 1 January 2023	223,307	(5,186)	73,900	292,021
Comprehensive income/(expense)				
Profit after income tax	-	-	17,705	17,705
Other comprehensive expense, net of tax	-	2,683	-	2,683
Total comprehensive income/(expense)	**-**	**2,683**	**17,705**	**20,388**
Dividends paid on ordinary shares	-	-	(7,355)	(7,355)
Balance as at 31 December 2023	**223,307**	**(2,503)**	**84,250**	**305,054**

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

STATEMENT OF FINANCIAL POSITION

As at $000	Note	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Assets				
Cash and liquid assets	4	535,008	893,382	1,060,919
Receivables due from other financial institutions	5	79,992	74,868	49,980
Derivative assets		1,718	3,360	694
FVTOCI securities		288,441	357,367	293,527
Loans and advances	6	2,715,721	2,396,124	2,486,524
Other assets		14,305	7,536	11,981
Current tax assets		-	2,652	-
Right-of-use assets		288	1,226	771
Deferred tax assets		8,841	6,892	7,448
Property and equipment		521	686	558
Intangible assets		6	64	29
Total assets		**3,644,841**	**3,744,157**	**3,912,431**
Liabilities				
Customer deposits	8	900,519	930,202	781,419
Payables due to central banks and other financial institutions	9	2,118,995	2,227,531	2,445,988
Derivative liabilities		2,890	131	697
Current tax liabilities		4,827	-	1,166
Debt securities on issue	10	199,861	223,486	283,646
Provisions		6,931	4,342	6,725
Other liabilities		93,747	60,016	86,895
Lease liabilities		362	1,288	841
Total liabilities		**3,328,132**	**3,446,996**	**3,607,377**
Net assets		**316,709**	**297,161**	**305,054**
Equity				
Contributed equity		223,307	223,307	223,307
Reserves		(2,491)	(4,060)	(2,503)
Retained earnings		95,893	77,914	84,250
Total equity		**316,709**	**297,161**	**305,054**
Total interest earning and discount bearing assets		3,628,927	3,728,985	3,894,194
Total interest and discount bearing liabilities		3,208,785	3,357,696	3,501,229

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

Timothy Oliver Bennett
Director
26 August 2024

Beihai Hu
Executive Director
26 August 2024

STATEMENT OF CASH FLOWS

For the period ended $000	Note	Unaudited 6 months 30/06/24	Unaudited 6 months 30/06/23	Audited Year ended 31/12/23
Cash flows from operating activities				
Interest received		109,885	79,352	175,828
Interest paid		(84,465)	(51,578)	(110,909)
Other operating income received		15,630	10,827	31,132
Operating expenses paid		(13,534)	(13,553)	(26,909)
Income tax paid		(2,273)	(2,677)	(5,354)
Net cash flows from operating activities before changes in operating assets and liabilities		**25,243**	**22,371**	**63,788**
Net changes in operating assets and liabilities:				
Net change in receivables due from other financial institutions		(30,000)	-	25,000
Net change in FVTOCI securities		8,988	(64,404)	6,862
Net change in loans and advances		(236,119)	(221,134)	(311,374)
Net change in other assets		(403)	222	(708)
Net change in customer deposits		119,099	11,083	(137,700)
Net change in payables due to central banks and other financial institutions		(326,993)	95,468	313,924
Net change in provisions and other liabilities		652	(1,042)	1,128
Net changes in operating assets and liabilities		**(464,776)**	**(179,807)**	**(102,868)**
Net cash flows from operating activities		**(439,533)**	**(157,436)**	**(39,080)**
Cash flows from investing activities				
Purchase of property and equipment		(100)	(106)	(252)
Net cash flows from investing activities		**(100)**	**(106)**	**(252)**
Cash flows from financing activities				
Issuance of debt securities		39,349	243,013	420,171
Repayments of debt securities		(125,000)	(190,000)	(310,000)
Principal elements of lease payments		(479)	(463)	(939)
Dividends paid		-	-	(7,355)
Net cash flows from financing activities		**(86,130)**	**52,550**	**101,877**
Net change in cash and cash equivalents		**(525,763)**	**(104,992)**	**62,545**
Cash and cash equivalents at beginning of the period		1,058,911	996,366	996,366
Cash and cash equivalents at end of year		**533,148**	**891,374**	**1,058,911**
Cash and cash equivalents comprise:				
Cash and liquid assets	4	535,008	893,382	1,060,919
Less: cash collateral paid included in cash and liquid assets		(2,008)	(2,008)	(2,008)
Add: provisions for expected credit losses		148	-	-
Cash and cash equivalents at end of year		**533,148**	**891,374**	**1,058,911**

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

1 ACCOUNTING POLICIES

1.1 Reporting Entity

The reporting entity for the purpose of this Disclosure Statement is Bank of China (New Zealand) Limited (the "Bank"). The Bank does not prepare group financial statements as it does not have any subsidiaries. The Bank is a company incorporated in New Zealand under the Companies Act 1993 on 16 June 2014 and is registered under Company Number 5305661 and is a Financial Market Conduct (FMC) reporting entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

1.2 Basis of preparation

These condensed interim financial statements of the Bank (the "financial statements") have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) ("the Order").

These financial statements 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,* the International Accounting Standard 34: *Interim Financial Reporting* and other applicable financial reporting standards, as appropriate for profit-oriented entities. They should be read in conjunction with the Disclosure Statement for the year ended 31 December 2023. The financial statements were approved for issue by the Board of Directors of the Bank (the "Board") on 26 August 2024.

1.3 Basis of measurement

These financial statements have been prepared on a going concern basis and on a historical cost basis, except for the following assets and liabilities measured 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 2023.

1.6 Assumptions and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information regarding the critical estimates, judgements and assumptions is provided in the financial statements for the year ended 31 December 2023. Actual results may differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Bank and that are believed to be reasonable under the circumstances.

Updated estimates, judgements and assumptions in relation to the provision for expected credit losses are set out in Note 7.

2 OTHER OPERATING INCOME

For the period ended $000	Unaudited 6 months 30/06/24	Unaudited 6 months 30/06/23	Audited Year ended 31/12/23
Lending and credit facility related fee income	229	144	365
Fund management fee and consulting fee income	1,157	1,148	2,380
Service fees from related entities[1]	12,188	9,382	23,931
Other fees and commissions[2]	200	171	370
Net gains on financial instruments mandatorily measured at FVTPL	616	2,876	3,615
Other	(41)	69	98
Total other operating income	**14,349**	**13,790**	**30,759**

[1] Refer to Note 13 for further details.
[2] Other fees and commissions includes account management fees and transaction fees.

3 IMPAIRMENT (CHARGES)/BENEFITS

For the 6 months ended 30 June 2024 (Unaudited) $000	Other financial assets[1]	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	(161)	1,797	(205)	160	1,591
Movement in individually assessed provision	-	-	(6,783)	-	(6,783)
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment (charges)/benefits	**(161)**	**1,797**	**(6,988)**	**160**	**(5,192)**

For the 6 months ended 30 June 2023 (Unaudited) $000	Other financial assets[1]	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	(79)	(2,584)	(2,440)	36	(5,067)
Movement in individually assessed provision	-	-	816	-	816
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment (charges)/benefits	**(79)**	**(2,584)**	**(1,624)**	**36**	**(4,251)**

For the year ended 31 December 2023 (Audited) $000	Other financial assets[1]	Residential mortgages	Corporate exposures	Credit related commitments and contingencies	Total
Movement in collective provision	23	(5,561)	(1,369)	(268)	(7,175)
Movement in individually assessed provision	-	(318)	3,810	-	3,492
Bad debts written-off directly to the profit or loss	-	-	-	-	-
Bad debts recovered	-	-	-	-	-
Total impairment (charges)/benefits	**23**	**(5,879)**	**2,441**	**(268)**	**(3,683)**

[1] Other financial assets includes impairment (charges)/benefits on Cash and liquid assets, Receivables due from other financial institutions and FVTOCI securities.

4 CASH AND LIQUID ASSETS

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Cash and balances with central banks[1]	493,115	758,954	1,038,421
Current deposits with other financial institutions	15,514	107,564	11,075
Transaction balances with related entities	26,527	26,864	11,423
Provision for expected credit losses	(148)	-	-
Total cash and liquid assets	**535,008**	**893,382**	**1,060,919**

[1] Cash collateral paid of $2,008,000 is included within cash and balances with central banks (30 June 2023: $2,008,000, 31 December 2023: $2,008,000).

5 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Due from other financial institutions	80,000	75,000	50,000
Provision for expected credit losses	(8)	(132)	(20)
Total receivables due from other financial institutions	**79,992**	**74,868**	**49,980**

6 LOANS AND ADVANCES

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Gross loans and advances:			
Residential mortgages	2,126,693	1,945,776	2,112,088
Corporate exposures	598,793	457,593	377,680
Subtotal	**2,725,486**	**2,403,369**	**2,489,768**
Unearned income	(3,600)	(1,163)	(1,145)
Capitalised brokerage and other origination costs	16,694	12,315	15,560
Gross loans and advances	**2,738,580**	**2,414,521**	**2,504,183**
Provision for expected credit losses:			
Collective provision	(13,058)	(14,578)	(16,700)
Individually assessed provision	(9,801)	(3,819)	(959)
Total provision for expected credit losses	**(22,859)**	**(18,397)**	**(17,659)**
Net loans and advances	**2,715,721**	**2,396,124**	**2,486,524**

7 ASSET QUALITY

Information is presented separately for the following categories of loans and advances, as prescribed by the Order:

- Residential mortgages
- Corporate exposures
- Other exposures

Information on total loans and advances is an aggregate of the above asset categorisations. Information is not presented in this note in respect of other financial assets as the related provision for ECL is not material.

a) Credit quality information

As at 30 June 2024 (Unaudited) $000	Residential mortgages	Corporate exposures	Other exposures	Total
Neither past due nor impaired	**2,108,423**	**580,484**	**-**	**2,688,907**
Past due but not impaired				
Less than 30 days past due	14,341	-	-	14,341
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	1,615	-	-	1,615
At least 90 days past due	-	-	-	-
Total past due but not impaired assets	**15,956**	**-**	**-**	**15,956**
Individually impaired assets				
Balance at beginning of the period	2,314	634	-	2,948
Additions	-	17,674	-	17,674
Amounts written off	-	-	-	-
Deletions/recoveries	-	-	-	-
Other movements	-	1	-	1
Balance at end of the period	**2,314**	**18,309**	**-**	**20,623**
Subtotal	**2,126,693**	**598,793**	**-**	**2,725,486**
Unearned income	-	(3,600)	-	(3,600)
Capitalised brokerage and other origination costs	16,694	-	-	16,694
Total gross loans and advances	**2,143,387**	**595,193**	**-**	**2,738,580**
Individually assessed provisions				
Balance at beginning of the period	325	634	-	959
Change due to transfers between ECL stages	-	2,058	-	2,058
Charge/(credit) to the statement of comprehensive income	-	6,783	-	6,783
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	1	-	1
Balance at end of the period	**325**	**9,476**	**-**	**9,801**
Collectively assessed provisions				
Balance at beginning of the period	12,421	4,279	-	16,700
Change due to transfers between ECL stages	-	(2,058)	-	(2,058)
Charge/(credit) to the statement of comprehensive income	(1,797)	205	-	(1,592)
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversal of previous impairment losses	-	-	-	-
Other movements	-	8	-	8
Balance at end of the period	**10,624**	**2,434**	**-**	**13,058**
Total provision for expected credit losses	**10,949**	**11,910**	**-**	**22,859**
Total net loans and advances	**2,132,438**	**583,283**	**-**	**2,715,721**

The Bank had $nil undrawn commitments to counterparties for whom drawn balances are classified as individually impaired at 30 June 2024. The Bank does not have other assets under administration as at 30 June 2024.

b) Movement in loans and advances

For the 6 months ended 30 June 2024 (Unaudited) $000	Stage 1 Collective provision 12 months ECL	Stage 2 Collective provision lifetime ECL not credit impaired	Stage 3 Collective provision lifetime ECL credit impaired	Stage 3 Individual provision lifetime ECL credit impaired	Total
Residential mortgages					
Gross balance at beginning of the period	2,098,665	11,109	-	2,314	2,112,088
Change due to transfers between ECL stages	(1,081)	1,081	-	-	-
Additions	157,845	-	-	-	157,845
Deletions	(143,053)	(187)	-	-	(143,240)
Amounts written off	-	-	-	-	-
Gross balance as at end of the period	**2,112,376**	**12,003**	**-**	**2,314**	**2,126,693**
Corporate exposures					
Gross balance at beginning of the period	359,121	17,925	-	634	377,680
Change due to transfers between ECL stages	-	(17,675)	-	17,675	-
Additions	342,763	-	-	-	342,763
Deletions	(121,400)	(250)	-	-	(121,650)
Amounts written off	-	-	-	-	-
Gross balance as at end of the period	**580,484**	**-**	**-**	**18,309**	**598,793**
Other exposures					
Gross balance at beginning of the period	-	-	-	-	-
Change due to transfers between ECL stages	-	-	-	-	-
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
Amounts written off	-	-	-	-	-
Gross balance as at end of the period	**-**	**-**	**-**	**-**	**-**
Total					
Gross balance at beginning of the period	2,457,786	29,034	-	2,948	2,489,768
Change due to transfers between ECL stages	(1,081)	(16,594)	-	17,675	-
Additions	500,608	-	-	-	500,608
Deletions	(264,453)	(437)	-	-	(264,890)
Amounts written off	-	-	-	-	-
Subtotal	**2,692,860**	**12,003**	**-**	**20,623**	**2,725,486**
Unearned income					(3,600)
Capitalised brokerage and other origination costs					16,694
Gross balance as at end of period					**2,738,580**

c) Movement in provision for expected credit losses

For the 6 months ended 30 June 2024 (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 the period	11,036	1,385	-	325	12,746
Changes to the opening balance due to transfer between ECL stages:					
Transferred to collective provision 12 months ECL	334	(334)	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	(22)	22	-	-	-
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)	(3,150)	1,353	-	-	(1,797)
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	-	-	-	-	-
Total provision for residential mortgages	**8,198**	**2,426**	**-**	**325**	**10,949**
Corporate exposures					
Balance at beginning of the period	2,221	2,058	-	634	4,913
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	-	(2,058)	-	2,058	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	205	-	-	6,783	6,988
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	8	-	-	1	9
Total provision for corporate exposures	**2,434**	**-**	**-**	**9,476**	**11,910**
Off-balance sheet credit related commitments and contingencies					
Balance at beginning of the period	354	151	-	-	505
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)	(8)	(152)	-	-	(160)
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	1	-	-	-	1
Total provision for off-balance sheet credit related commitments and contingencies[1]	**347**	**(1)**	**-**	**-**	**346**
Total					
Balance at beginning of the period	13,611	3,594	-	959	18,164
Changes to the opening balance due to transfer between ECL stages:	-	-	-	-	-
Transferred to collective provision 12 months ECL	334	(334)	-	-	-
Transferred to collective provision lifetime ECL not credit impaired	(22)	22	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-	-
Transferred to individual provision lifetime ECL credit impaired	-	(2,058)	-	2,058	-
Charge/(credit) to profit or loss due to new and increased provisions (net of releases)	(2,953)	1,201	-	6,783	5,031
Amounts written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Other movements	9	-	-	1	10
Total provision for expected credit losses	**10,979**	**2,425**	**-**	**9,801**	**23,205**

[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 relate to loans and advances and credit related commitments and contingencies. Information is not presented in the table above in respect of other financial assets as the related provision for ECL is not material to the Bank.

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

Key judgements and estimates

The table below summarises the key judgements and assumptions used in estimating the collectively assessed ECL, highlighting significant changes during the current half-year. These judgements and associated assumptions have been made within the context of current economic conditions, reflecting historical experience and other relevant factors, including reasonable expectations of future events.

- Domestically, monetary policy easing was commenced by the RBNZ in August 2024, with additional rate cuts signalled. Inflation is expected to return to the target range of 1% to 3%. However, soft GDP growth and a rising unemployment rate during the half-year suggest a slow recovery in the domestic economy.

- Internationally, some central banks have initiated a monetary policy easing cycle to stimulate economic recovery, which could support economic growth and restore global demand for New Zealand goods and services. However, the presence of geopolitical risks may have a greater impact on export-dependent countries like New Zealand.

Judgement/Assumption	Considerations for the year ended 30 June 2024
Determining when a significant increase in credit risk has occurred	● There have been no changes to the approach for determining significant increase in credit risk in the current half-year.
Forward-looking macroeconomic variables	● There have been no changes to the approach of using macroeconomic variables to determine the forward-looking adjustment to probabilities of default (PDs). The latest forecasts were updated in April 2024. ● The economic variables used by the Bank include New Zealand's GDP growth rate, unemployment rate, and Consumer Price Index (CPI), based on forecasts from the International Monetary Fund (IMF). Additionally, the Bank considers historical Official Cash Rate (OCR) volatility and regional non-performing loan ratios, drawing on historical data from the World Bank.
Measuring ECL	● Given the Bank's relatively short operating history and limited credit event data, the Bank utilised assigned Probability of Defaults (PDs) calibrated from the historical data of the BoC Group. These PDs were then used as the best estimate for base PD to develop a forward-looking PD matrix, incorporating New Zealand's forward-looking macroeconomic variables. ● The forward-looking PDs were calculated using a multiple macroeconomic scenario approach, incorporating additional forward-looking macroeconomic variables. ● Given the limited default history, the Bank utilised the Loss Given Default (LGD) derived from BoC Group's default data. A local reasonableness assessment was conducted, and the LGD was adjusted as necessary to more reasonably reflect portfolio quality and the New Zealand economic environment. ● There were no changes to the Exposure at Default (EAD) methodology. <u>Residential mortgages:</u> ● The final provision for residential mortgages decreased by \$1.8 million during the period. This includes a \$2.84 million decrease in Stage 1 ECL and a \$1.04 million increase in Stage 2 ECL. <u>Corporate:</u> ● Total corporate ECL increased by \$7.0 million, primarily driven by an individual customer downgrade and portfolio growth, which was offset by a recalibration of corporate LGD by BoC Group. ● An individual corporate customer, whose financial condition has significantly deteriorated since the last reporting date, has been downgraded from Stage 2 to Stage 3. This reclassification resulted in an overall ECL increase of \$6.78 million, including an \$8.84 million increase in Stage 3 ECL and a \$2.06 million decrease in Stage 2 ECL.

Significant judgement	The ECL model output has been reviewed, with a separate assessment conducted on customer serviceability, dynamic collateral value, unemployment rate, and the impact of climate risk across various scenarios. Additionally, a further evaluation was performed to ensure the reasonableness of the ECL model output. Residential mortgages: ● With interest rates having reached their peak and expected to decline, the serviceability of residential customers is anticipated to strengthen over time. However, this improvement may be partially offset by a higher unemployment rate. ● A conservative approach has been adopted in managing credit risk, with strict restrictions on Loan-to-valuation (LVR) and Debt-to-income (DTI) ratios. Corporate exposures: ● The interest rate easing cycle is expected to lower borrowing costs and improve the interest cover ratios for corporate customers. ● The recalibration of corporate LGDs is expected to more reasonably reflect potential losses in the event of default. ● The Bank's corporate ECL also considers forecasts for GDP growth, unemployment, inflation for the next 12 months. The Bank has taken a reasonable and supportable approach on ECL and is comfortable with the level of ECLs that have been raised for residential mortgages and corporate exposures as at 30 June 2024.

Base case macroeconomic variable forecast assumptions

The key macroeconomic variables and their forecasts used in the base case at 30 June 2024 are set out below:

New Zealand	Unaudited 2024	Unaudited 2025	Unaudited 2026	Unaudited 2027	Unaudited 2028	Unaudited 2029
Unemployment Rate %	5.0	5.4	5.2	5.0	4.7	4.5
GDP Growth Rate %	1.0	2.0	2.4	2.4	2.4	2.4
CPI (index)	3.1	2.5	2.4	2.1	2.0	2.0

Compared to the previous reporting period, the current unemployment rate and its near-term projections have risen above earlier forecasts. Meanwhile, near-term GDP growth rates have slightly declined, although mid- to long-term projections have shown slight improvement. Inflation is expected to trend downward over time.

Probability weightings

The probability weightings for each macroeconomic scenario are derived from the global GDP growth rate, based on the assumption that New Zealand's economic environment is closely correlated with the global economy.

Given the significant economic uncertainties, the Bank has adopted a weighted approach, assigning a 30% probability to the base case scenario, 25% to both the upside and downside scenarios, and 20% to the severe downside scenario. The following table summarises the weightings applied by the Bank to each scenario in determining the provision ECL.

As at	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Base case	30%	30%	30%
Upside	25%	25%	25%
Downside	25%	25%	25%
Severe downside	20%	20%	20%

The global GDP growth rate serves as the core benchmark, with deviations from the baseline forecast applied under each scenario. A linear interpolation method is then used to derive the weighting for each scenario.

For the upside, downside, and severe downside scenarios, adjustments of +0.5, -0.5, and -1 standard deviations, respectively, have been applied to the base case forecast. These adjustments are based on historical global GDP growth rate distributions sourced from the IMF. Macroeconomic forecasts for non-baseline scenarios are then constructed, and the weighting for each scenario is determined by proportioning the score of each scenario, with professional judgement applied.

Sensitivity analysis

The following table details the increase/(decrease) in the Bank's provision for ECL related to loans and advances, as well as credit-related commitments and contingencies, assuming a 100% weighting on each scenario while holding all other assumptions constant. Information regarding other financial assets is not presented, as the related provision for ECL is not material to the Bank.

As at 30 June 2024 $000	Unaudited 100% weighting	Unaudited Difference to the reported probability-weighted ECL
Base case	22,727	(478)
Upside	20,972	(2,233)
Downside	24,270	1,065
Severe downside	25,381	2,176
Reported probability weighted ECL	**23,205**	-

Movements in provision for ECL

Movement of collective provision

For the six months ended 30 June 2024, a net decrease of $3.8 million in the total collective provision was recorded by the Bank, as detailed below :

- The collective provision for 12-months ECL (Stage 1) decrease by $2.63 million during the period:
  - a net decrease of $2.84 million from residential mortgages, primarily due to the combined effect of current economic conditions, updated forward-looking macroeconomic variables, updated long-run PDs from BoC Group, the implementation of an enhanced modelled multiple macroeconomic scenario approach.
  - a net increase of $0.21 million was predominantly driven by the net growth of approximately $221.36 million in the Bank's corporate loans and advances, partially offset by the recalibration of corporate LGD by BoC Group.
- The collective provision for lifetime ECL not credit impaired (Stage 2) decreased by $1.17 million, primarily due to a customer being downgraded to Stage 3.

Movement of individually assessed provision

- The Individually assessed provision for lifetime ECL credit impaired (Stage 3) increased by $8.84 million, primarily due to additional provisions arising from new non-performing loans.

As of 30 June 2024, the impaired loans in this category have a carrying value of $20.62 million (31 December 2023: $2.95 million), gross of provision for expected credit losses. These loans were impaired based on objective evidence indicating that the recoverable amount is less than the carrying value. The individually assessed provision on these loans reflects the Bank's best estimate of the expected credit loss as of 30 June 2024.

8 CUSTOMER DEPOSITS

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Term deposits	590,737	633,005	508,928
Savings/demand deposits	294,970	286,494	259,556
Margin deposits	14,812	10,703	12,935
Total customer deposits	**900,519**	**930,202**	**781,419**

9 PAYABLES DUE TO CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Due to other financial institutions	1,104,824	1,153,709	1,251,898
Due to related entities	921,171	980,822	1,026,090
Securities sold under agreements to repurchase from central banks[1]	93,000	93,000	168,000
Total payables due to central banks and other financial institutions	**2,118,995**	**2,227,531**	**2,445,988**

[1] Included in securities sold under agreements to repurchase from central banks was $93 million (31 December 2023: $93 million) relating to the Funding for Lending Programme.

10 DEBT SECURITIES ON ISSUE

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Certificates of deposit	-	73,787	83,803
Medium-term notes	199,861	149,699	199,843
Total debt securities issued	**199,861**	**223,486**	**283,646**
Movement in debt securities issued			
Balance at beginning of the period	283,646	169,883	169,883
Issuance during the period	39,349	243,013	420,171
Repayments during the period	(125,000)	(190,000)	(310,000)
Other movements	1,866	590	3,592
Balance at end of the period	**199,861**	**223,486**	**283,646**

Debt securities issued by currency

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
New Zealand Dollar	199,861	223,486	283,646
Total debt securities issued by currency	**199,861**	**223,486**	**283,646**

11 COMMITMENTS AND CONTINGENCIES

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Credit related commitments and contingencies			
Commitments to extend credit	159,927	49,791	101,068
Letters of credit and guarantees	22,915	21,144	23,167
Total credit related commitments and contingencies	**182,842**	**70,935**	**124,235**

Significant leasing arrangements

The Bank has entered into a lease agreement for new office space, carparks, and signage rights of the building located in Auckland CBD. The key terms of the lease agreement are as follows:

- Lease Term: 9 years, with two optional renewal periods of 3 years each. It is uncertain whether the Bank will exercise these renewals at the time the agreement was signed.
- Lease Payments: The total undiscounted future minimum lease payments under this agreement are expected to be $13 million.
- Conditions for Commencement: The lease commencement is contingent upon meeting specific conditions outlined in the lease agreement.

As of 30 June 2024, the Bank has not recognised any lease liabilities or right-of-use assets related to this lease agreement as the conditions for commencement have not yet been met. The Bank will recognise the lease liability and corresponding right-of-use asset on the balance sheet upon the commencement of the lease, in accordance with NZ IFRS 16.

12 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 2024 (Unaudited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	1,718	-	1,718
FVTOCI securities	258,084	30,357	-	288,441
Total financial assets carried at fair value	**258,084**	**32,075**	**-**	**290,159**
Financial liabilities				
Derivative financial liabilities	-	2,890	-	2,890
Total financial liabilities carried at fair value	**-**	**2,890**	**-**	**2,890**

As at 30 June 2023 (Unaudited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	3,360	-	3,360
FVTOCI securities	357,367	-	-	357,367
Total financial assets carried at fair value	**357,367**	**3,360**	**-**	**360,727**
Financial liabilities				
Derivative financial liabilities	-	131	-	131
Total financial liabilities carried at fair value	**-**	**131**	**-**	**131**

As at 31 December 2023 (Audited) $000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	694	-	694
FVTOCI securities	263,161	30,366	-	293,527
Total financial assets carried at fair value	**263,161**	**31,060**	**-**	**294,221**
Financial liabilities				
Derivative financial liabilities	-	697	-	697
Total financial liabilities carried at fair value	**-**	**697**	**-**	**697**

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	Unaudited 30/06/24		Unaudited 30/06/23		Audited 31/12/23	
$000	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Loans and advances	2,715,721	2,710,231	2,396,124	2,375,345	2,486,524	2,470,883
Total	**2,715,721**	**2,710,231**	**2,396,124**	**2,375,345**	**2,486,524**	**2,470,883**
Financial liabilities						
Customer deposits	900,519	900,338	930,202	929,549	781,419	781,761
Payables due to central banks and other financial institutions	2,118,995	2,113,832	2,227,531	2,203,647	2,445,988	2,440,447
Debt securities on issue	199,861	199,740	223,486	223,486	283,646	282,664
Total	**3,219,375**	**3,213,910**	**3,381,219**	**3,356,682**	**3,511,053**	**3,504,872**

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

- **FVTOCI securities**

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

- **Receivables due from other financial institutions**

  For receivables due from other financial institutions repricing within six months, the carrying amount is a reasonable approximation of fair value at the reporting date. For other receivables due from other financial institutions, the fair value is estimated by discounting the cash flows based on the maturity of the receivable, using current market rates for similar instruments with similar maturity profiles.

- **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 central banks and other financial institutions**

  For payables due to central banks and other financial institutions repricing within six months, the carrying amount is a reasonable approximation of fair value at the reporting date. For other payables due to central banks and other financial institutions, the fair value is estimated by discounting the cash flows based on the maturity of the payable, 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.

13 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 2024, the Bank had no controlled entities. Transactions and balances with the BoC Auckland Branch are included in the Ultimate Parent Bank's balances in the tables below.

Transactions with related parties

For the period ended	Unaudited 6 months ended 30/06/24		Unaudited 6 months ended 30/06/23		Audited Year ended 31/12/23	
$000	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities
Interest income	115	17	66	9	132	15
Interest expense	(22,683)	-	(19,311)	-	(39,747)	-
Other operating income:						
Service fees from related entities[1]	12,188	-	9,382	-	23,931	-
Other fees and commissions	-	12	-	9	-	21
Net gains on financial instruments mandatorily measured at FVTPL	127	-	2,588	-	2,315	-
Operating expenses	(164)	-	(1,197)	-	(711)	-

[1] Service fees from related entities relate to the fees charged to the BoC Auckland Branch for the outsourcing services provided by the Bank to the BoC 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 2024 (year ended 31 December 2023: $nil and six months ended 30 June 2023: $nil).

Balances with related parties

As at	Unaudited 30/06/24		Unaudited 30/06/23		Audited 31/12/23	
$000	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities	Ultimate Parent Bank	Other related entities
Cash and liquid assets	12,203	14,324	15,889	10,975	8,941	2,482
Loans and advances	-	-	9,032	-	-	-
Derivative assets	477	-	3,360	-	-	-
Total related party assets	**12,680**	**14,324**	**28,281**	**10,975**	**8,941**	**2,482**
Payables due to central banks and other financial institutions	918,443	2,728	978,358	2,464	1,022,659	3,430
Derivative liabilities	2,452	-	25	-	697	-
Other liabilities	61,306	-	40,482	-	59,837	-
Total related party liabilities	**982,201**	**2,728**	**1,018,865**	**2,464**	**1,083,193**	**3,430**

Provisions for impairment losses of $137,000 were recognised in respect of related party assets as at 30 June 2024 (31 December 2023: $nil and 30 June 2023: $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

The Ultimate Parent Bank provides unlimited guarantees to the Bank.

The Bank has entered into interest rate derivatives and exchange rate derivatives with the Ultimate Parent Bank.

Interest rate derivatives

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Notional principal	147,370	38,694	26,370
Fair value assets	439	97	-
Fair value liabilities	1,240	-	694

Exchange rate derivatives

As at $000	Unaudited 30/06/24	Unaudited 30/06/23	Audited 31/12/23
Notional principal	119,959	150,820	1,122
Fair value assets	38	3,263	-
Fair value liabilities	1,211	25	3

During the six months ended 30 June 2024, corporate loans and advances of $93 million (year ended 31 December 2023: $nil and six months ended 30 June 2023: $nil) were transferred from the BoC Auckland Branch to the Bank. The amount paid by the Bank for the corporate loans and advances transferred was the carrying amount as at date of sale. These corporate loans and advances have been derecognised from the BoC Auckland Branch's statement of financial position as the rights to receive cash flows from these corporate loans and advances have been transferred together with substantially all of their risks and rewards. The credit related commitments in relation to the corporate loans and advances transferred of approximately $67 million were also transferred from the BoC Auckland Branch to the Bank during the same period.

During the year ended 31 December 2023, the credit commitments of approximately $100 million (30 June 2023: $100 million) were transferred from the Bank to the BoC Auckland Branch.

14 CONCENTRATION OF CREDIT EXPOSURES

14.1 Concentration of Credit Exposures

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

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

As at 30 June 2024 (Unaudited) $000	On-balance sheet financial assets	Off-balance sheet credit related commitments
Industry sector		
Agriculture	251	-
Forestry and fishing	53,782	22,962
Mining	-	-
Manufacturing	74,192	27,569
Electricity, gas, water and waste services	-	-
Construction	87,646	14,345
Wholesale trade	17,794	116
Retail trade	20,178	-
Accommodation and food services	-	58
Transport, postal and warehousing	-	-
Information media and telecommunications	-	-
Financial and insurance services	903,685	22,491
Rental, hiring and real estate services	229,595	6,698
Professional, scientific and technical services	-	-
Administrative and support services	-	-
Public administration and safety	-	-
Education and training	-	-
Health care and social assistance	120,139	66,697
Arts and recreation services	-	-
Personal lending	2,134,019	21,872
Other services	2,517	34
Subtotal	**3,643,798**	**182,842**
Provision for expected credit losses[1]	(23,051)	(346)
Unearned income	(3,600)	-
Capitalised brokerage and other origination costs	16,694	-
Total net credit exposures	**3,633,841**	**182,496**
Geographic area		
New Zealand	3,395,380	160,351
Overseas	248,418	22,491
Subtotal	**3,643,798**	**182,842**
Provision for expected credit losses[1]	(23,051)	(346)
Unearned income	(3,600)	-
Capitalised brokerage and other origination costs	16,694	-
Total net credit exposures	**3,633,841**	**182,496**

[1] The provision for expected credit losses in this table relates to loans and advances (refer to Note 6), cash and liquid assets (refer to Note 4) and receivables due from other financial institutions (refer to Note 5).

14.2 Concentration of credit exposure to individual counterparties

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

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

The number of individual bank counterparties (which are not members of a group of closely related counterparties), and groups of closely related counterparties of which a bank is the parent, to which the Bank has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's CET1 Capital:

	Peak end-of-day aggregate credit exposure Number of bank counterparties For the 6 months ended 30 June 2024 (Unaudited)				Number of bank counterparties As at 30 June 2024 (Unaudited)			
Percentage of CET1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
10-15%	1	1	-	2	1	-	-	1
16-20%	-	1	-	1	-	-	-	-
21-25%	-	-	-	-	-	-	-	-
26-30%	1	-	-	1	1	-	-	1
31-35%	1	-	-	1	-	-	-	-
36-40%	1	-	-	1	-	-	-	-
41-45%	-	-	-	-	-	-	-	-
46-50%	-	-	-	-	-	-	-	-

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 6 months ended 30 June 2024 (Unaudited)				Number of non-bank counterparties As at 30 June 2024 (Unaudited)			
Percentage of CET1 Capital	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
10-15%	-	-	1	1	-	-	-	-
16-20%	-	-	2	2	-	-	2	2
21-25%	-	-	1	1	-	-	1	1
26-30%	-	-	-	-	-	-	-	-
31-35%	-	-	-	-	-	-	-	-
36-40%	-	-	-	-	-	-	-	-
41-45%	-	-	-	-	-	-	-	-
46-50%	-	-	1	1	-	-	1	1
51-55%	-	-	-	-	-	-	-	-

Note:
"A" Rated – those counterparties that have a long-term credit rating of A- or A3 or above, or its equivalent.
"B" Rated – those counterparties that have long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent.
Unrated – those counterparties that do not have a long-term credit rating for the reporting period.

15 CONCENTRATION OF FUNDING

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

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

As at $000	Unaudited 30/06/24
Funding comprises	
Customer deposits	900,519
Payables due to central banks and other financial institutions	2,118,995
Debt securities on issue	199,861
Total funding	**3,219,375**
Concentration of funding by industry sector	
Agriculture, foresty and fishing	2,212
Mining	5
Manufacturing	18,646
Electricity, gas, water and waste services	-
Construction	33,535
Wholesale trade	59,082
Retail trade	788
Accommodation and food services	66,509
Transport, postal and warehousing	121,706
Information media and telecommunication	20,846
Financial and insurance services	2,318,861
Rental, hiring and real estate services	117,977
Professional, scientific and technical services	14,574
Administrative and support services	7,515
Public administration and safety	45,002
Education and training	26,253
Health care and social assistance	7
Arts and recreation services	-
Households	328,158
Other services	37,699
Total funding	**3,219,375**
Concentration of funding by geographical location	
New Zealand	2,025,268
Other countries	1,194,107
Total funding	**3,219,375**

16 INSURANCE BUSINESS

The Bank does not conduct any insurance business, as defined in the Bank's Conditions of Registration. The Bank's Conditions of Registration can be obtained by referring to the Bank's Disclosure Statement for the year ended 31 December 2023.

17 RISK MANAGEMENT

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

17.1 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 2024 is as follows:

As at 30 June 2024 (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	535,008	-	-	-	-	-	535,008
Receivables due from other financial institutions	79,992	-	-	-	-	-	79,992
Derivative assets	-	-	-	-	-	1,718	1,718
FVTOCI securities	30,356	-	153,739	104,346	-	-	288,441
Loans and advances	954,753	697,118	700,965	305,217	67,433	(9,765)	2,715,721
Other financial assets	-	-	-	-	-	12,958	12,958
Total financial assets	**1,600,109**	**697,118**	**854,704**	**409,563**	**67,433**	**4,911**	**3,633,838**
Non-financial assets							11,003
Total assets							**3,644,841**
Financial liabilities							
Customer deposits	537,408	163,942	150,705	22,068	15,806	10,590	900,519
Payables due to central banks and other financial institutions	1,105,165	301,849	312,556	284,025	115,400	-	2,118,995
Derivative liabilities	-	-	-	-	-	2,890	2,890
Debt securities on issue	199,861	-	-	-	-	-	199,861
Other financial liabilities	-	-	-	-	-	93,510	93,510
Total finanical liabilities	**1,842,434**	**465,791**	**463,261**	**306,093**	**131,206**	**106,990**	**3,315,775**
Non-financial liabilities							12,357
Total liabilites							**3,328,132**
Net gap	**(242,325)**	**231,327**	**391,443**	**103,470**	**(63,773)**	**(102,079)**	**318,063**

17.2 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.

17.3 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 30/06/24
Cash and cash equivalents:	
Cash and liquid assets	535,008
Receivables due from other financial institutions	79,992
Government securities	258,084
Other debt securities	30,357
Total liquidity portfolio	**903,441**

17.4 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 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 2024 (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	298,231	251,258	167,546	157,236	23,927	18,575	916,773
Payables due to central banks and other financial institutions	732,590	226,958	226,227	424,705	311,392	215,565	2,137,437
Debt securities on issue	-	3,423	3,423	6,734	213,580	-	227,160
Lease liabilities	-	243	28	54	40	-	365
Other financial liabilities	-	13,850	17,928	33,014	24,890	3,828	93,510
Total non-derivative financial liabilities	**1,030,821**	**495,732**	**415,152**	**621,743**	**573,829**	**237,968**	**3,375,245**
Derivative financial liabilities							
Net settled	-	(166)	(122)	(172)	795	2,017	2,352
Gross settled – cash inflow	-	104,925	-	-	-	-	104,925
Gross settled – cash outflow	-	(105,825)	-	-	-	-	(105,825)
Total derivative financial liabilities	**-**	**(1,066)**	**(122)**	**(172)**	**795**	**2,017**	**1,452**
Off-balance sheet credit related commitments and contingencies							
Commitments to extend credit	159,927	-	-	-	-	-	159,927
Letters of credit and guarantees	22,915	-	-	-	-	-	22,915
Total off-balance sheet credit related commitments and contingencies	**182,842**	**-**	**-**	**-**	**-**	**-**	**182,842**

18 CAPITAL ADEQUACY AND REGULATORY LIQUIDITY RATIOS

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

The Bank uses the standardised approach as it has not been accredited by the Reserve Bank to use the internal-rating based approach. The Bank applies the Reserve Bank's Banking Prudential Requirements ("BPRs") for calculating regulatory capital requirements as applicable to a standardised bank.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk-weighted exposures. As a condition of registration, the Banking Group must comply with the following minimum capital requirements set by the Reserve Bank:

- Total capital ratio must not be less than 8.0% of risk-weighted exposures.
- Tier 1 capital ratio must not be less than 6.0% of risk-weighted exposures.
- The Common Equity Tier 1 capital ratio is not less than 4.5%.
- Capital of the Banking Group must not be less than NZ$30 million.

Regulatory capital

The Basel III standards for bank capital distinguish between Tier 1 and Tier 2 capital. Tier 1 capital is permanently and freely available to absorb losses without the bank being obliged to cease trading, while Tier 2 capital generally only absorbs losses in a winding up. Within Tier 1 capital, Common Equity Tier 1 capital ("CET 1") has greater loss-absorbing capability than the other Tier 1 instruments referred to as Additional Tier 1 capital ("AT 1"). The Bank's CET1 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 AT1 or Tier 2 capital.

Capital ratios are used to define minimum capital requirements for each of: Common Equity Tier 1 capital, Tier 1 capital (CET 1 plus AT 1), and Total capital (Tier 1 plus Tier 2), as a percentage of risk-weighted assets. There are increasing constraints on capital distributions where a bank's capital level falls within the prudential capital buffer ratio bands, which are specified in the conditions of registration.

Risk-weighted exposures

Risk-weighted exposures are derived by assigning risk-weight percentages to certain risk categories of exposures. The Bank's current capital requirements based on an assessment of its risk classes commonly referred to as Pillar 1 risk classes under Basel III can be summarised as follows:

- Credit risk – total RWAs for credit risk are calculated in accordance with BPR 130 *Credit risk RWAs overview*, BRP 131 *Standardised credit risk RWAs*, BPR 132 *Credit risk mitigation* and BPR 160 *Insurance, securitisation, and loan transfers*.
- Market risk – the total capital requirement for market risk exposure is calculated in accordance with BRP 140 *Market risk exposure*.
- Operational risk - total capital requirement for operational risk must be calculated in accordance with BPR150 *Standardised operational risk*.

18.1 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 2024. During the period, the Bank has complied with all the Reserve Bank minimum capital ratios to which it is subject.

18.1(a) Capital

The table below shows the qualifying capital for the Bank.

As at 30 June 2024 (Unaudited) $000	
Tier 1 Capital	
Common Equity Tier 1 capital	
Issued and fully paid-up ordinary share capital	223,307
Retained earnings (net of appropriations)	95,893
Accumulated other comprehensive income and other disclosed reserves	(2,491)
Less: deductions from Common Equity Tier 1 capital:	
Intangible assets	6
Deferred tax assets	8,841
Total Common Equity Tier 1 capital	**307,862**
Additional Tier 1 capital	
Nil	
Total Additional Tier 1 capital	
Total Tier 1 capital	**307,862**
Tier 2 capital	
Nil	
Total Tier 2 capital	
Total capital	**307,862**

18.1(b) 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:

- there are no options or facilities for early redemptions, conversion, write-down or capital repayment;
- there is no predetermined dividend rate;
- there is no maturity date; and
- 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.

18.1(c) Reserves

Accumulated other comprehensive income and other disclosed reserves consist of the FVTOCI reserve of ($2,491,000) as at 30 June 2024.

18.2 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.

18.2(a) On-balance sheet exposures

As at 30 June 2024 (Unaudited)	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure
	$000	%	$000
Cash and gold bullion	-	0%	-
Sovereigns and central banks	781,557	0%	-
Multilateral development banks and other international organisation	-	-	-
Public sector entities	-	-	-
Banks - 20% weighting	121,884	20%	24,377
Banks - 50% weighting	-	50%	-
Banks - 100% weighting	-	100%	-
Corporate - 20% weighting	-	20%	-
Corporate - 50% weighting	-	50%	-
Corporate - 100% weighting	588,068	100%	588,068
Corporate - 150% weighting	-	150%	-
Residential mortgages not past due - 35% weighting	1,386,400	35%	485,240
Residential mortgages not past due - 40% weighting	749,439	40%	299,776
Residential mortgages not past due - 50% weighting	1,936	50%	968
Residential mortgages not past due - 70% weighting	-	70%	-
Residential mortgages not past due - 75% weighting	-	75%	-
Residential mortgages not past due - 90% weighting	-	90%	-
Residential mortgages not past due - 100% weighting	-	100%	-
Past due residential mortgages (90 days and plus)	1,989	100%	1,989
Other past due assets	-	100%	-
Equity holdings in the Business Growth Fund that qualify for 250% risk weight	-	250%	-
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-
All other equity holdings (not deducted from capital)	-	400%	-
Other assets	4,721	100%	4,721
Total on-balance sheet exposures	**3,635,994**		**1,405,139**

18.2(b) Off-balance sheet exposures and counterparty credit risk

As at 30 June 2024 (Unaudited)	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure
	$000	%	$000	%	$000
Direct credit substitute	-	100%	-	0%	-
Asset sale with recourse	-	100%	-	0%	-
Forward asset purchase	-	100%	-	0%	-
Commitment with certain drawdown	21,828	100%	21,828	36%	7,807
Note issuance facility	-	50%	-	0%	-
Revolving underwriting facility	-	50%	-	0%	-
Performance-related contingency	22,420	50%	11,210	44%	4,907
Trade-related contingency	-	20%	-	0%	-
Placements of forward deposits	-	100%	-	0%	-
Undrawn commitment to the Business Growth Fund	-	20%	-	0%	-
Other commitments where original maturity is more than one year	133,801	50%	66,901	100%	66,901
Other commitments where original maturity is less than or equal to one year	4,022	20%	804	100%	804
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%	-
Total off-balance sheet exposures	182,071		100,743		80,419
Counterparty credit risk					
(a) Foreign exchange contracts	124,893	n/a	1,288	24%	314
(b) Interest rate contracts	294,740	n/a	2,548	83%	2,111
(c) Other – OTC etc.	-	n/a	-	-	-
(d) Credit valuation adjustment	-	n/a	-	-	3,658
Total off-balance sheet exposures and counterparty credit risk	**601,704**		**104,579**		**86,502**

Note: the credit equivalent amount for counterparty credit risk was calculated using the current exposure method.

18.2(c) Additional mortgage information

Residential mortgages by loan-to-valuation ratio

As at 30 June 2024 (Unaudited) $000	Does not exceed 80%	Exceeds 80% and not 90%	Exceed 90%	Total
Loan-to-valuation ratio				
On-balance sheet exposures	2,137,829	1,936	-	2,139,765
Undrawn commitments and other off-balance sheet exposures	21,828	-	-	21,828
Value of exposures	**2,159,657**	**1,936**	**-**	**2,161,593**

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

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

Reconciliation of residential mortgage-related amounts

As at $000	Unaudited 30/06/24
Residential mortgages - total gross loans and advances (as disclosed in Notes 6 and 7)	2,126,693
Add: Interest receivable	7,327
Add: Capitalised brokerage and other origination costs	16,694
Less: Provision for expected credit losses (loans and advances)	(10,949)
Total of Residential Mortgages amounts disclosed in table for On-balance sheet exposures	**2,139,765**
Add: Undrawn commitments and other off-balance sheet exposures	21,872
Less: Provision for expected credit losses (off-balance sheet credit related commitments and contingencies)	(44)
Total Residential mortgages exposures disclosed in residential mortgages by loan-to-valuation ratio table	**2,161,593**

18.2(d) Credit risk mitigation

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

As at 30 June 2024 (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	424	-
Residential mortgage	-	-
Other	-	-
Total	**424**	**-**

18.3 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 2024 (Unaudited) $000	Implied weighted exposure	Total operational risk capital requirement
Operational risk	207,661	16,613
Total	**207,661**	**16,613**

18.4 Market risk

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the relevant period of the aggregate capital charge at the close of each business day derived in accordance with BPR140: Market risk exposure.

As at 30 June 2024 (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	59,865	4,789	76,335	6,107
Foreign currency risk	329	26	920	74
Equity risk	-	-	-	-
Total	**60,194**	**4,815**	**77,255**	**6,181**

18.5 Total capital requirements

As at 30 June 2024 (Unaudited) $000	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk plus equity	3,740,573	1,491,641	119,331
Operational risk	n/a	207,661	16,613
Market risk	n/a	60,194	4,815
Total	**n/a**	**1,759,496**	**140,759**

18.6 Capital ratios

As at	Unaudited 30/06/24	Unaudited 30/06/23	Unaudited 31/12/23
Capital adequacy ratios			
Common equity tier 1 capital ratio	17.50%	20.01%	19.93%
Tier 1 capital ratio	17.50%	20.01%	19.93%
Total capital ratio	17.50%	20.01%	19.93%
Reserve Bank minimum ratio requirements			
Common equity tier 1 capital ratio	4.50%	4.50%	4.50%
Tier 1 capital ratio	6.00%	6.00%	6.00%
Total capital ratio	8.00%	8.00%	8.00%
Prudential capital buffer ratio			
Prudential capital buffer ratio	9.50%	12.01%	11.93%
Buffer trigger ratio	2.50%	2.50%	2.50%

18.7 Solo capital adequacy

As at	Unaudited 30/06/24	Unaudited 30/06/23	Unaudited 31/12/23
Common equity tier 1 capital ratio	17.50%	19.98%	19.93%
Tier 1 capital ratio	17.50%	19.98%	19.93%
Total capital ratio	17.50%	19.98%	19.93%

18.8 Capital for other material risks

The Bank's ICAAP captures all material risks that the Bank faces including those not captured by Pillar 1 regulatory capital requirements. In 2023 refinements were made to the ICAAP methodologies and assumptions to improve the quantification of the residual risk posed by its material other risks. The other material risks for the Bank include interest rate risk in the banking book, strategic risk, compliance risk, environmental & social risk, reputation risk, liquidity risk, and IT risk. As of 30 June 2024, the Bank caters for these risks through an internal capital allocation of 1.06%, which is part of an overall buffer of 2.24% (30 June 2023: 2%) to cover all Pillar II risks and a stress. This buffer has been assessed at Board targets.

18.9 Capital adequacy of Ultimate Parent Bank

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

Both the Ultimate Parent Bank and the Ultimate Parent Bank Group are required by the NAFR to hold minimum capital at least equal to that specified under the Basel III Standardised Approach. The Ultimate Parent Bank Group is 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 Group and the Ultimate Parent Bank each met the capital requirements imposed by the NAFR as of 31 March 2024 and 31 December 2023 respectively, the latest reporting dates.

The capital ratios below have been calculated in accordance with Capital Rules for Commercial Banks (Provisional), which have been replaced by the Rules on Capital Management of Commercial Banks issued by the NAFR, effective 1 January 2024.

As at	Unaudited 31/03/24	Unaudited 31/12/23	Unaudited 31/03/23
Ultimate Parent Bank Group			
Common equity tier 1 capital ratio	12.02%	11.63%	11.63%
Tier 1 capital ratio	14.00%	13.83%	13.79%
Total capital ratio	18.52%	17.74%	17.53%

As at	Unaudited 31/12/23	Unaudited 30/09/23	Unaudited 31/03/23
Ultimate Parent Bank			
Common equity tier 1 capital ratio	10.96%	10.75%	11.19%
Tier 1 capital ratio	13.38%	13.20%	13.59%
Total capital ratio	17.72%	17.23%	17.76%

18.10 Regulatory liquidity ratios

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

For the 3 months ended	Unaudited 30/06/24	Unaudited 31/03/24
One-week mismatch ratio	15.7%	20.8%
One-month mismatch ratio	12.1%	17.3%
Core funding ratio	84.7%	83.9%

19 EVENTS SUBSEQUENT TO THE REPORTING DATE

The Bank has entered into a lease agreement for office space, carparks and signage. The lease commenced on 9 August 2024, which was after the reporting date but before the date of approval of this disclosure statement on 26 August 2024. The key terms and future payment obligations have been included in note 11 on page 19. There have been no adjustments made to the financial statements for this non-adjusting event. The disclosure is made to provide additional information to users of this disclosure statement.

There were no other 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 condensed interim Financial Statements and the Supplementary Information (excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9)

Our conclusion

We have reviewed the condensed interim financial statements (the Financial Statements) for the six-month period ended 30 June 2024 of Bank of China (New Zealand) Limited (the Bank) as 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 disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order (the Supplementary Information), excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order contained in the half-year disclosure statement (the Disclosure Statement).

The Financial Statements comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and selected explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying:

- Financial Statements 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); and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
    - does not present fairly, in all material respects, the matters to which it relates; or
    - is not disclosed, in all material respects, in accordance with those schedules; or
    - has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

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 the 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 requirements. In addition to our role as auditor, our firm carries out compliance assurance services over capital adequacy and regulatory liquidity requirements and generic training over sustainability reporting for the Bank. In addition, 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. The provision of these other services and these relationships have not impaired our independence.

Responsibilities of the Directors for the Disclosure Statement
The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 25 of the Order, NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement which includes:

- all of the information prescribed in Schedule 3 of the Order; and
- the information prescribed in Schedules 5, 7, 9, 13, 16 and 18 of the Order.

Auditor's responsibilities for the review of the Financial Statements and the Supplementary Information
Our responsibility is to express a conclusion on the Financial Statements and the Supplementary Information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the:

- Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
    - does not present fairly, in all material respects, the matters to which it relates; or
    - is not disclosed, in all material respects, in accordance with those schedules; or
    - if applicable, has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently do 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 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 Philip Taylor.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 August 2024

Auckland

Independent assurance report

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

Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

Our conclusion

We have undertaken a limited assurance engagement on Bank of China (New Zealand) Limited's (the Bank) compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the Order) which requires information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its half-year Disclosure Statement for the six-month period ended 30 June 2024 (the Disclosure Statement). The Disclosure Statement containing the information prescribed in Schedule 9 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order and disclosed in note 18, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion

We have conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (SAE 3100 (Revised)) issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Directors' responsibilities

The Directors are responsible, on behalf of the Bank, for compliance with the Order, including clause 22 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Bank. In addition to our role as auditor and providers of related assurance services, our firm carries out generic training over sustainability reporting for the Bank. In addition, 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. The provision of these other services and these relationships have not impaired our independence.

Assurance practitioner's responsibilities
Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 22 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the RBNZ) prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the interim financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 9 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 14 of Schedule 9 of the Order.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

Inherent limitations
Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with the compliance requirements may occur and not be detected.

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 22 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report
This report has been prepared for use by the Bank’s shareholder, for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Bank and the Bank’s shareholder, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Philip Taylor.

PricewaterhouseCoopers

Chartered Accountants
27 August 2024

Auckland