China Construction Bank (New Zealand) Limited

(previously known as CCB New Zealand Limited)

First Disclosure Statement for the period ended 30 April 2014

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1. GENERAL INFORMATION AND DEFINITIONS

This is the first Disclosure Statement of China Construction Bank (New Zealand) Limited and is for the period ended 30 April 2014. Certain information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ("Reserve Bank Act") and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (the "Order").

In this Disclosure Statement:

- the "Bank" and "CCB NZ" mean China Construction Bank (New Zealand) Limited, previously known as CCB New Zealand Limited;
- "Banking Group" means the Bank and its subsidiaries. As at the date of this first Disclosure Statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;
- the "Ultimate Parent Bank" and "CCB" mean China Construction Bank Corporation;
- "Board" means the Board of Directors of the Bank; and
- "Reserve Bank" means the Reserve Bank of New Zealand.

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

Disclosure Statements of the Bank are available, free of charge, at the internet address http://www.ccb.com/cn/personal/overseasoffice/20140603_1401784644.html. 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. GENERAL MATTERS

2.1 Registered Bank

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

The Bank's registered office and address for service is C/- Minter Ellison Rudd Watts, 88 Shortland Street, Auckland 1010, New Zealand. The Bank's website address is http://www.ccb.com/cn/personal/overseasoffice/20140603_1401784644.html.

The Bank is a wholly-owned subsidiary of China Construction Bank Corporation ("CCB") which is the Bank's ultimate parent bank (the "Ultimate Parent Bank") and ultimate holding company. CCB is incorporated in China and is subject to regulatory oversight by the China Banking Regulatory Commission (the "CBRC") and the Government of the People's Republic of China (China). The address for service of CCB is 25 Financial Street, Xicheng District, Beijing 100033, People's Republic of China.

At 30 April 2014, the Ultimate Parent Bank has a direct qualifying interest in 100% of the voting securities of the Bank. In addition, the Ultimate Parent Bank is able to directly appoint up to 100% of the Board of Directors of the Bank. All appointments to the Board must be approved by the Reserve Bank (refer to the Bank's conditions of registration on page 10 of this Disclosure Statement for details of the Reserve Bank's approval process).

2.2 Limits on material financial support by the Ultimate Parent Bank

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

3. DIRECTORATE

3.1 Directors

The Directors of the Bank at the date when this Disclosure Statement was signed were:

Name: **Jenny Shipley** *Non-executive*: Yes *Country of Residence*: New Zealand *Primary Occupation*: Director *Secondary Occupations*: None *Board Audit Committee Member*: Yes *Independent Director*: No *Date of appointment:* 9 June 2014	*External Directorships*: Chair of each of: Genesis Energy Limited, Momentum Holdings Limited and Seniors Money International Limited. Director of each of: Genesis Power Investments Limited, GP No.1 Limited, GP No.2 Limited, GP No.5 Limited, Jenny Shipley New Zealand Limited, Kinleith Cogeneration Limited, Kupe Holdings Limited and Trans-Tasman Resources Limited. Chair of each of: Global Women New Zealand and New Zealand Financial Services Council. Co-Chair of Women Corporate Directors. Member of Canterbury Earthquake Recovery Review Panel. *Qualifications*: DNZM
Name: **John Shewan** *Non-executive*: Yes *Country of Residence*: New Zealand *Primary Occupation*: Director *Secondary Occupations*: Adjunct Professor of Accounting at Victoria University of Wellington *Board Audit Committee Member*: Yes *Independent Director*: Yes *Date of appointment:* 9 June 2014	*External Directorships*: Chair of Munichre New Zealand Service Limited. Director of each of: Corion Pty Limited, FSF Management Company Limited, Munich Holdings of Australasia Pty Ltd and Munich Reinsurance Company of Australasia Limited. Chair of each of: Fonterra Shareholders' Fund and Wellington Regional Stadium Trust. Deputy Chair of Partnership Schools Authorisation Board. *Qualifications*: CNZM, FCA, BCA (Hons)
Name: **Qixin Wang** *Non-executive*: Yes *Country of Residence*: Australia *Primary Occupation*: General Manager, CCB Sydney Branch *Secondary Occupations*: Director *Board Audit Committee Member*: Yes *Independent Director*: No *Date of appointment:* 9 June 2014	*External Directorships*: None *Qualifications*: MBA
Name: **Xu Changning** *Non-executive*: No *Country of Residence*: China; will become New Zealand resident *Primary Occupation*: Executive Director, China Construction Bank (New Zealand) Limited *Secondary Occupations*: Director *Board Audit Committee Member*: No *Independent Director*: No *Date of appointment:* 30 January 2014	*External Directorships*: None *Qualifications*: MA (Econ), Management Doctorate

3.2 Responsible person

All the Directors named above have authorised in writing Mr Xu Changning (Executive Director) to sign this Disclosure Statement on their behalf in accordance with section 82 of the Reserve Bank Act.

3.3 Address for communications

All communications may be sent to the Directors and the Responsible Person at the registered office of the Bank, C/- Minter Ellison Rudd Watts, 88 Shortland Street, Auckland 1010, New Zealand.

4. CONFLICTS OF INTEREST

The Board is responsible for ensuring that actual and potential conflicts of interest between the Directors' duty to the Bank and their personal, professional or business interests are avoided or dealt with.

Accordingly, each Director must:

(a) Disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist as soon as the situation arises.
(b) If required by the Board, take steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period.

The Board will determine whether or not the Director declaring a conflict should remain present when the Board discusses matters about which the conflict relates.

5. INTERESTED TRANSACTIONS

There have been no transactions entered into by any Director, or any immediate relative or close business associate of any Director, with the Bank:

(a) on terms other than on those which would, in the ordinary course of business of the Bank, be given to any other person of like circumstances or means; or
(b) which could otherwise be reasonably likely to materially influence the exercise of that Director's duties.

6. CREDIT RATINGS

6.1 The Bank's credit ratings

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

	Standard & Poor's Ratings Services
Long-term counterparty credit rating	A
Short-term counterparty credit rating	A-1
Outlook	Stable

There have been no changes to the above credit ratings or rating outlook since the ratings were obtained on 15 July 2014.

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.

6.2 Description of credit rating scales

The following is a summary of the descriptions of the major ratings categories of rating agencies for the rating of long term senior unsecured obligations:

Standard & Poor's	Moody's Investors Service	Fitch Ratings	Description of Rating[1]
The following grades display investment grade characteristics:			
AAA	Aaa	AAA	Ability to repay principal and interest is extremely strong. This is the highest investment category.
AA	Aa	AA	Very strong ability to repay principal and interest.
A	A	A	Strong ability to repay principal and interest although susceptible to adverse changes in economic, business or financial conditions.
BBB	Baa	BBB	Adequate ability to repay principal and interest. More vulnerable to adverse changes.
The following grades have predominantly speculative characteristics:			
BB	Ba	BB	Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.
B	B	B	Greater vulnerability and therefore greater likelihood of default.
CCC	Caa	CCC	Likelihood of default considered high. Timely repayment of principal and interest is dependent on favourable financial conditions
CC	Ca	CC to C	Highest risk of default.
SD to D	C	RD to D	Obligation currently in default.

(1) This is a general description of the rating categories based on information published by Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings.

Credit ratings by Standard & Poor's Ratings Services and Fitch Ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories. Moody's Investors Service apply numeric modifiers 1, 2 and 3 to show relative standing within the major ratings categories with 1 indicating the higher end of that category and 3 indicating the lower end.

7. GUARANTEE ARRANGEMENTS

7.1 Details of guaranteed obligations

As at the date of this Disclosure Statement, subject to the terms of the Deed of Guarantee ("the Guarantee") included in Appendix 1, the obligations of the Bank are guaranteed by CCB, the Ultimate Parent Bank.

Subject to the Guarantee:

(a) There are no limits on the amount of the obligations guaranteed.

(b) There are no material conditions applicable to the Guarantee other than non-performance by the Bank.

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

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

7.2 Details of the guarantor

The guarantor is CCB, which is not a member of the Banking Group. The address for service of the guarantor is 25 Financial Street, Xicheng District, Beijing 100033, People's Republic of China.

As disclosed in CCB's unaudited consolidated results for the period ended 31 March 2014, CCB's total capital for capital adequacy purposes was RMB 1,377,560 million ($256,088 million) and its total capital ratio was 13.50%, both as at 31 March 2014. The capital ratio is calculated in accordance with *the Measures for Capital Management of Commercial Banks (Trial)* issued by the CBRC.

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

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

There have been no changes to any of the above CCB credit ratings or rating outlooks in the two years prior to 30 April 2014.

For an explanation of the credit rating scales, see the table under the heading "6.2 Description of credit rating scales" on page 5 of this Disclosure Statement.

8. PENDING PROCEEDINGS OR ARBITRATION

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

The contingent liabilities of the Bank are set out in Note 31 *Commitments and contingent liabilities* of the financial statements for the period ended 30 April 2014 included within this Disclosure Statement.

9. CONDITIONS OF REGISTRATION

These conditions of registration apply on and after 15 July 2014, except as provided otherwise.

The registration of the Bank as a registered bank is subject to the following conditions:

1. That—

(a) the Total capital ratio of the Banking Group is not less than 8%;

(b) the Tier 1 capital ratio of the Banking Group is not less than 6%;

(c) the Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5%;

(d) the Total capital of the Banking Group is not less than $30 million; and

(e) the process in Subpart 2H of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated September 2013 is followed for the recognition and repayment of capital.

For the purposes of this condition of registration, capital, the Total capital ratio, the Tier 1 capital ratio, and the Common Equity Tier 1 capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated September 2013.

1A. That—

(a) the Bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')" (BS12) dated December 2007;

(b) under its ICAAP the Bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated September 2013; and

(c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That, if the buffer ratio of the Banking Group is 2.5% or less, the Bank must:

(a) according to the following table, limit the aggregate distributions of the Bank's earnings to the percentage limit to distributions that corresponds to the Banking Group's buffer ratio:

Banking Group's buffer ratio	Percentage limit to distributions of the Bank's earnings
0% – 0.625%	0%
>0.625 – 1.25%	20%
>1.25 – 1.875%	40%
>1.875 – 2.5%	60%

(b) prepare a capital plan to restore the Banking Group's buffer ratio to above 2.5% within any timeframe determined by the Reserve Bank for restoring the buffer ratio; and

(c) have the capital plan approved by the Reserve Bank.

For the purposes of this condition of registration,—

"buffer ratio", "distributions", and "earnings" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated September 2013.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the Banking Group's insurance business is the sum of the following amounts for entities in the Banking Group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the Banking Group's insurance business—

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating of the Bank[1]	Connected exposure limit (% of the Banking Group's Tier One Capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

(1) This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.).

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the Banking Group's Tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated September 2013.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the Bank complies with the following corporate governance requirements:

(a) until 30 June 2015 the Board of the Bank must have at least four Directors, thereafter the Board of the Bank must have at least five Directors;

(b) the majority of the Board members must be non-executive Directors;

(c) until 30 June 2015 at least one Board member must be an independent Director, from 1 July 2015 until 31 December 2016 at least two Board members must be independent Directors, and thereafter at least half the Board members must be independent Directors;

(d) an alternate Director,—

(i) for a non-executive Director must be non-executive; and

(ii) for an independent Director must be independent;

(e) at least half of the Directors of the Bank must be ordinarily resident in New Zealand;

(f) until 31 December 2016 the chairperson of the Board of the Bank must be a non-executive Director and must not be a Director or employee of any other member of the group, thereafter the chairperson of the Board must be an independent Director; and

(g) the Bank's constitution must not include any provision permitting a Director, when exercising powers or performing duties as a Director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

For the purposes of this condition of registration, "non-executive", "group" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

7. That no appointment of any Director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the Bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the Board of the Bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the Bank has a Board audit committee, or other separate Board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the Bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) every member of the committee must be a non-executive Director of the Bank;

   (d) at least one member of the committee must be independent; and

   (e) the chairperson of the committee must not be the chairperson of the Bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

11. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:

    (a) the one-week mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day;

    (b) the one-month mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day; and

    (c) the one-year core funding ratio of the Banking Group is not less than 75 per cent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated March 2011 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

12. That the Bank has an internal framework for liquidity risk management that is adequate in the Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:

    (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

    (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

(c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and

(d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

13. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"total assets" means all assets of the Banking Group plus any assets held by any SPV that are not included in the Banking Group's assets:

"SPV" means a person—

(a) to whom any member of the Banking Group has sold, assigned, or otherwise transferred any asset;

(b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

(c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond.

"covered bond" means a debt security issued by any member of the Banking Group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

14. That—

(a) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

  (i) the Bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

  (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the Bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

  (i) the Bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

  (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the Bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

  (iii) the Reserve Bank has given the Bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

15. That, for a loan-to-valuation measurement period, the total of the Bank's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80%, exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.

16. That the Bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the Bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

17. That the Bank must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.

18. That the Bank must not provide a residential mortgage loan if the residential property to be mortgaged to the Bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed 80% of the property value when the residential mortgage loan is drawn down.

19. That the Bank must not act as broker or arrange for a member of its Banking Group to provide a residential mortgage loan.

In these conditions of registration,—

"Banking Group" means China Construction Bank (New Zealand) Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993):

"generally accepted accounting practice" has the same meaning as in section 2 of the Financial Reporting Act 1993.

In conditions of registration 15 to 19,—

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated September 2013:

"loan-to-valuation measurement period" means—

(a) the period starting on 15 July 2014 and ending on the last day of December 2014; and

(b) thereafter a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of January 2015.

10. PRIORITY OF CREDITORS' CLAIMS

In the unlikely event that the Bank is put into liquidation or ceased to trade, claims of secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Bank, and such liabilities rank ahead of any subordinated instruments issued by the Bank.

11. OTHER MATERIAL MATTERS

There are no matters relating to the business or affairs of the Bank 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 is the issuer.

12. AUDITORS

The name and address of the Bank's auditors whose report is referred to in this Disclosure Statement is: Deloitte, 10 Brandon Street, Wellington 6011, New Zealand.

13. HISTORICAL SUMMARY OF FINANCIAL STATEMENTS

As the Bank has not commenced operations prior to the date of this first Disclosure Statement, a historical summary of financial statements for the Banking Group for each of the five most recent consecutive full year accounting periods has not been provided.

14. DIRECTORS' STATEMENTS

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

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

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

Each Director of the Bank believes, after due enquiry, that, as at the date of registration:

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

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

(c) the Bank had systems in place to monitor and control adequately the material risks of the Banking Group including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 15 July 2014 and has been signed by Mr Xu Changning as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Mr Xu Changning
Executive Director

APPENDIX 1 - DEED OF GUARANTEE

DEED OF GUARANTEE

Date: 30 May 2014

PARTIES

China Construction Bank Corporation, a body corporate constituted under The Company Law of PRC and Law of the PRC on Commercial Banks, having its registered office at No. 25, Financial Street, Xicheng District, Beijing 100033, China (the *Bank*)

CCB New Zealand Limited, a Company incorporated in New Zealand having its registered office at C/- Minter Ellison Rudd Watts, 88 Shortland Street, Auckland, 1010, New Zealand (*CCB NZ*)

BACKGROUND

A The shares in CCB NZ are held by the Bank.

B The Bank has agreed to give the Guarantee to the Creditors as an unconditional guarantee for the benefit of the Creditors of all the present and future obligations of CCB NZ.

BY THIS DEED the parties agree as follows:

1 **DEFINITIONS AND INTERPRETATION**

1.1 **Defined terms**

In this Deed and the Recitals, unless the context otherwise requires:

Authorised Person means in relation to any Person:

(a) who is not a natural person, an individual who is a director thereof or another officer who has been expressly authorised to carry out tasks in connection with the Obligations; or

(b) who is a natural person, that person or his/her duly authorised representative.

Business Day means any day, other than a Saturday or Sunday or public holiday, on which banks are open for general business in Wellington and Auckland.

Creditor means each and any Person to whom an Obligation is due and owed by CCB NZ during the term of the Guarantee.

Guarantee means the guarantee by the Bank for the benefit of the Creditors pursuant and subject to the terms and conditions of this Deed.

Guaranteed Amount means, in relation to a claim made by any Creditor, the amount stated in a Creditors Demand in accordance with the procedure set out under clause 3.2.

Immediate Termination Event means the occurrence of any of following events:

(a) any substantial asset of, or any share in the issued capital of, CCB NZ is expropriated or nationalized by the Government of New Zealand or by any sub-division, agency or department thereof;

(b) any change in any law or regulation in any jurisdiction which renders this Guarantee illegal or inoperative in New Zealand; or

(c) CCB NZ ceasing to be a wholly owned subsidiary (as that term is defined in the Companies Act 1993) of the Bank.

Obligation means a legally enforceable, claim, liability or obligation of CCB NZ to a Creditor ranking at least pari passu with the claims of unsecured creditors of CCB NZ, provided that an "Obligation" shall not include any claim, liability or obligation:

(a) in respect of special, exemplary or punitive damages; and/or

(b) for the payment of taxes, levies, rates, imposts, duties or similar government charges; and/or

(c) which is subject to a bona fide dispute; and/or

(d) in respect of which the Creditor has not submitted proper proof or other documents and security in accordance with this Deed so as to enable CCB NZ to discharge such claim, liability or obligation; and/or

(e) in respect of a contingent liability; and/or

(f) which is barred by the laws of limitation or such similar laws.

Person means any person, firm, partnership, body corporate, trust, estate, corporation, association, co-operative, government or governmental agency.

Rating Agency means, at the date of this Deed, Standard & Poor's (Australia) Pty Limited, any successor thereto and includes from time to time, such other reputable internationally recognised securities rating agency as CCB NZ may wish to designate.

1.2 Words importing the singular number or plural number shall include the plural number and singular number respectively. Words importing any gender shall include every gender.

1.3 References to laws, statutes or legislation are to the laws, statues or legislation for the time being in force in New Zealand, unless the contrary appears from the context of this Deed.

2 GUARANTEE

2.1 The Bank hereby irrevocably and unconditionally guarantees for the benefit of each Creditor the due and punctual payment by CCB NZ of each and every Obligation (whether at stated maturity or upon acceleration) now owing or to become owing by CCB NZ to the Creditor during the term of the Guarantee to the intent that should CCB NZ default in the due and punctual payment of any such Obligation, the Bank shall, upon written demand by the relevant Creditor under clause 3.2, forthwith pay or cause to be paid to the Creditor the Guaranteed Amount together with all costs and expenses incurred by the Creditor in enforcing the Guarantee.

2.2 The Guarantee is a continuing guarantee and shall not be considered as satisfied by any intermediate payment and shall remain in force until the termination or expiry of the Guarantee.

2.3 Subject to the terms of this Deed, neither the liability of the Bank, nor any of the rights of any Creditor, under the Guarantee shall be affected or discharged by anything which, but for this clause, might operate to affect or discharge the liability of, or otherwise provide a defence to, the Bank (whether or not known to, or done or omitted to be done by, the Bank).

2.4 The Bank's obligations under this Guarantee shall rank at all times at least pari passu with all its other present and future unsecured creditors, except indebtedness preferred solely by operation of law.

2.5 Notwithstanding clause 2.2, a Creditor may at any time by an instrument in writing, release the Bank from its liability under the Guarantee in relation to that Creditor. In addition, the Guarantee shall not apply to an Obligation if the terms of the Obligation expressly provide in writing that the Obligation will not have the benefit of the Guarantee.

3 DEMAND AND PAYMENT

3.1 A Creditor shall be entitled to make a demand under this Deed if and only if:

(a) the Creditor has served written demand (a *Primary Demand*) on CCB NZ with proper proof for the payment of an Obligation which remains unpaid beyond its due date; and

(b) the Creditor has complied with all of the requirements of CCB NZ, including with regard to documentation and security, and the Primary Demand remains unsatisfied in whole or in part for a period of five (5) Business Days after service of the Primary Demand on CCB NZ in accordance with this Deed.

3.2 A demand by a Creditor under this Deed (a *Creditors Demand*) shall be served on the Bank and shall be accompanied by a statutory declaration made by the Creditor or by an Authorised Officer of the Creditor stating:

(a) the residency and place of business of the Creditor;

(b) that CCB NZ has failed to meet an Obligation;

(c) that a Primary Demand in respect of that Obligation has been given to CCB NZ (accompanied by a verified copy of that Primary Demand);

(d) that the Primary Demand has remained unsatisfied for a period of five (5) Business Days as stated in clause 3.1(b);

(e) brief particulars of the nature of that Obligation (accompanied by a verified copy of any document giving rise to that Obligation);

(f) that the Obligation ranks at least pari passu with the claims of unsecured creditors of CCB NZ generally;

(g) the outstanding amount and currency of that Obligation; and

(h) that there is no bona fide dispute relating to that Obligation.

3.3 Service of the Creditors Demand and all accompanying documents under clause 3.2 on the Bank shall constitute a written demand by the Creditor under clause 2.1.

4 PAYMENTS

4.1 All payments by the Bank under this Deed shall be made in the currency or currencies in which the relevant Obligation is denominated.

4.2 All payments by the Bank under this Deed shall be made to a Creditor free and clear of and without deduction for or on account of, except to the extent required by law, any present or future taxes, levies, impost, duties, charges, fees, deductions or withholdings of any nature and whatever called (excluding taxes on overall net income) imposed, levied, collected, withheld or assessed by or on behalf of New Zealand or any political subdivision or any authority thereof or therein having power to tax (*Taxes*).

4.3 If any withholding or deduction for or on account of any Tax (a *Tax Deduction*) is required by law to be made by the Bank from a payment to a Creditor under this Deed, the Bank shall pay such additional amounts in order that (after making any Tax Deduction) the Creditor receives an amount equal to the payment which would have been due if no Tax Deduction had been required. No increased payment will be required under this clause in respect of a payment of any Guaranteed Amount if, had that Guaranteed Amount been paid by CCB NZ, no increased payment would have been payable by CCB NZ in respect of any deduction or withholding for or on account of any Tax.

4.4 In determining and making any payment the Bank shall be entitled to deduct the amounts (if any) which the Bank is entitled in law or in equity to set-off or counterclaim against the Creditor to whom the Obligation is owed and the amounts (if any) which CCB NZ could have set-off or counterclaimed in law or in equity against the Creditor to whom such Obligation is owed.

5 REPRESENTATIONS

5.1 The Bank represents and warrants that:

(a) it is a registered bank duly organised and validly existing under the laws of China;

(b) it has the corporate power to enter into this Deed and to perform the obligations imposed upon it under this Deed in accordance with its terms; and

(c) this Deed constitutes a valid, binding and enforceable obligation upon it.

6 TERMINATION OF GUARANTEE

6.1 The Bank may terminate the Guarantee for any reason by notice in writing to CCB NZ. The Bank will promptly provide a copy of such notice to each Rating Agency. Such termination shall take effect on the date described in clause 6.2, but subject to clause 6.3.

6.2 On receipt of a notice of termination under clause 6.1, CCB NZ shall give notice to the Creditors of:

(a) the termination of the Guarantee; and

(b) the date of termination, which shall be:

(i) in the case of an Immediate Termination Event, immediately on the giving notice to the Creditors in accordance with clause 9.1; and

(ii) in the case of any event other than an Immediate Termination Event, not less than three (3) months after the giving notice to the Creditors in accordance with clause 9.1,

(being, in each case, the *Termination Date*).

6.3 Any termination of the Guarantee as contemplated by this clause 6 must be on terms that:

(a) the Guarantee shall remain in place for the benefit of each Creditor that is owed Obligations as at the Termination Date, but only in relation to, and to the extent of, those Obligations; and

(b) the Guarantee shall terminate, in relation to each Creditor referred to in sub-clause (a) above, at such time as those Obligations existing as at the Termination Date in favour of the relevant Creditor have been satisfied in full (whether by action taken by the Bank, CCB NZ, the relevant Creditor or by operation of law).

7 SUBROGATION

The Bank and CCB NZ expressly agree that the Bank is and shall be entitled to all the rights and remedies of a guarantor under law including, without limiting the generality of the foregoing, all rights of subrogation which shall accrue to the Bank by virtue of any payment hereunder by the Bank to or for the benefit of any Creditor and, subject to the law, the Bank shall be entitled to claim the benefit of and participate in any security now or hereafter held by that Creditor from CCB NZ either in whole or upon a pro-rata basis, as the case may be, where the Bank has paid all moneys to or for the benefit of that Creditor under this Deed. Notwithstanding the generality of the foregoing, the Bank shall not exercise or seek to enforce any claim against CCB NZ (whether or not in liquidation) for reimbursement to the Bank of any moneys paid pursuant to this Deed by the Bank to a Creditor in respect of an Obligation until the default of CCB NZ in respect of that Obligation has been fully remedied by CCB NZ or the Bank.

8 DEALINGS BETWEEN THE BANK AND THE CREDITORS

8.1 After receipt of a written demand from a Creditor under clause 3.2 the Bank and that Creditor shall deal with one another as principal in relation to all matters under or in relation to this Deed, the Guarantee and CCB NZ.

8.2 Without limiting the generality of clause 9, the Bank shall be and is entitled to serve any notice, demands or statements in connection with this Deed upon that Creditor (at its place of business specified in the Creditor's Demand) and the Bank shall be and is entitled to make any payment which it is liable to pay to the Creditor under this Deed directly to that Creditor and not through any other Person.

9 NOTICES

9.1 Any notice to the Creditors generally in respect of this Deed will be validly given if published in a newspaper circulating generally throughout New Zealand. Any such notice shall be deemed to have been given on the date of publication or, if published more than once, on the date of first publication.

9.2 Any notice, demand, statement or other document required to be served on or delivered to the Bank or CCB NZ under or in relation to this Deed (*Notice*) shall be in writing signed by the party giving the Notice or by an Authorised Officer of that party, shall be made, served or given (subject in the case of the Bank to clause 12.2) by being left at or sent by prepaid mail or by facsimile (if applicable) as follows:

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

Attention: International Business Department

CCB New Zealand Limited
C/- Minter Ellison Rudd Watts
88 Shortland Street
Auckland 1010
New Zealand

Attention: Managing Director

or to such other address or such facsimile number as shall have been notified (in accordance with this clause) to the Creditors and/or the other party hereto. No Notice shall be deemed to have been received by the Bank or CCB NZ until actually received by the relevant party to whom it is addressed at its designated address.

10 AMENDMENTS, WAIVERS AND CONSENTS

10.1 Any provision of this Deed may be amended or supplemented by agreement in writing between the Bank and CCB NZ after having given prior notice to each Rating Agency. No further consent from the Creditors shall be required to any such amendment or supplement provided that notice of any such amendment or supplement shall be given to the Creditors in accordance with clause 9.1.

10.2 Any waiver may be given under this Deed at any time after having given prior notice to each Rating Agency. Any consent under any provision of this Deed must be in writing. Any such waiver or consent may be given subject to any conditions thought fit by any person giving it and shall only be effective in the instance and for the purpose for which it was given.

10.3 Any amendment or supplement made pursuant to clause 10.1 shall become effective on the later of the date that the relevant documentation is signed and the date upon which notice is deemed to be given to the Creditors pursuant to clause 9.1. Any waiver or consent shall become effective on the date that waiver or consent is given in writing. In each case, the Bank shall cause a duly executed original of the document evidencing the relevant amendment, supplement, waiver or consent to be deposited with the original of this Guarantee.

11 ASSIGNMENT

11.1 The Bank may not assign or transfer all or any of its rights and obligations under or in relation to this Deed, without first having given prior notice to each Rating Agency. No consent from the Creditors shall be required to any such assignment or transfer.

11.2 No Creditor may assign or transfer its rights or obligations hereunder without the prior written consent of the Bank.

12 GOVERNING LAW

12.1 This Deed shall be governed by and construed in accordance with the laws for the time being in force in New Zealand. The Bank and CCB NZ each hereby submit, for the purposes of this Deed, to the non-exclusive jurisdiction of the Courts of New Zealand in respect of all legal actions arising under or in relation to this Deed.

12.2 The Bank hereby irrevocably appoints CCB NZ (and CCB NZ hereby accepts such appointment) to be the agent of the Bank to accept service of process on behalf of the Bank in respect of all matters in New Zealand arising under or in relation to this Deed and the Bank agrees that any such process shall be properly served upon the Bank if delivered to CCB NZ at its address for the service of Notices set out in clause 9.2.

13 DELIVERY

Without limiting any other mode of delivery, this Deed will be delivered by each of the parties to this Deed immediately on the earlier of:

(a) physical delivery of an original of this Deed, executed by that party, into the custody of each of the other parties or its solicitors; or

(b) transmission by that party or its solicitors (or any other person authorised in writing by that party) of a facsimile, photocopied or scanned copy of an original of this Deed, executed by that party, to each of the other parties or its solicitors.

EXECUTION as a Deed

Signed by **China Construction Bank Corporation**

President

Signed by **CCB New Zealand Limited**

Director

in the presence of:

Witness

Name: ANDREW POOLE

Occupation: LAWYER

Address: 25 ALBERT ST
AUCKLAND CITY.

APPENDIX 2 - FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2014

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STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 April 2014	Note	2014 $000
Interest income	2	5
Interest expense	2	-
Net Interest Income	2	**5**
Non-interest income	3	-
Net operating income		**5**
Operating expenses	4	-
Impairment losses on loans and advances	5	-
Profit/(loss) before income tax		**5**
Income tax (expense)/benefit	6	(1)
Profit/(loss) after income tax		**4**
Other comprehensive income, net of tax		
Other comprehensive income which will not be reclassified to profit or loss		-
Other comprehensive income which may be reclassified to profit or loss:		-
Net change in available-for-sale revaluation reserve (net of tax)		-
Net change in cash flow hedge reserve (net of tax)		-
Total other comprehensive income, net of tax		-
Total comprehensive income		**4**

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 April 2014	Share Capital $000	Retained Earnings $000	Available-for-Sale Revaluation Reserve $000	Cash Flow Hedge Reserve $000	Total $000
Profit/(loss) after income tax	-	4	-	-	4
Other comprehensive income /(expense)	-	-	-	-	-
Total comprehensive income for the period	-	4	-	-	4
Transactions with owners:					
Ordinary share capital issued	58,630	-	-	-	58,630
Dividends paid on ordinary shares	-	-	-	-	-
Balance as at 30 April 2014	**58,630**	**4**	**-**	**-**	**58,634**

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

BALANCE SHEET

As at 30 April 2014	Note	2014 $000
Assets		
Cash and balances with central banks	7	-
Due from other financial institutions	8	58,959
Trading securities	9	-
Derivative financial assets	10	-
Available-for-sale securities	11	-
Loans and advances	12	-
Due from related parties	25	12
Current tax assets		-
Other assets	14	-
Property, plant and equipment	15	-
Intangible assets	16	-
Deferred tax assets	17	-
Total assets		**58,971**
Liabilities		
Due to other financial institutions	18	-
Trading liabilities	19	-
Derivative financial liabilities	10	-
Deposits from customers	20	-
Debt securities issued	21	-
Due to related parties	25	337
Other liabilities	22	-
Total liabilities		**337**
Shareholder's equity		
Share capital	23	58,630
Retained earnings		4
Available-for-sale revaluation reserve	24	-
Cash flow hedge reserve	24	-
Total shareholder's equity		**58,634**
Total liabilities and shareholder's equity		**58,971**
Total interest earning and discount bearing assets		58,959
Total interest and discount bearing liabilities		-

These financial statements were approved by the Directors on 15 July 2014 and are signed on their behalf by:

Rt. Hon Dame Jenny Shipley
Director

Mr Xu Changning
Executive Director

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

For the period ended 30 April 2014	2014 $000
Cash flows from operating activities	
Interest received	5
Interest paid	-
Non-interest income received	-
Operating expenses paid	-
Income taxes paid	(1)
Net cash flows from operating activities before changes in operating assets and liabilities	**4**
Net changes in operating assets and liabilities:	
Net (increase) / decrease:	
Due from other financial institutions (original maturity of more than 3 months)	-
Trading securities	-
Loans and advances	-
Due from related parties	(12)
Net increase / (decrease):	
Due to other financial institutions	-
Trading liabilities	-
Deposits from customers	-
Net movement in derivative financial instruments	-
Net changes in operating assets and liabilities	**(12)**
Net cash flows provided by / (used in) operating activities	**(8)**
Cash flows from investing activities	
Purchase of available-for-sale securities	-
Proceeds from maturity/sale of available-for-sale securities	-
Purchase of property, plant and equipment	-
Purchase of intangible assets	-
Net cash flows provided by / (used in) investing activities	**-**
Cash flows from financing activities	
Issue of ordinary share capital	58,630
Net increase/(decrease) in debt securities issued	-
Net increase/(decrease) in due to related parties	337
Dividends paid	-
Net cash flows provided by / (used in) financing activities	**58,967**
Net increase/(decrease) in cash and cash equivalents	58,959
Effect of exchange rate changes on cash and cash equivalents	-
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	**58,959**
Cash and cash equivalents at end of the period comprise:	
Cash and balances with central banks	-
Due from other financial institutions (call or original maturity of 3 months or less)	58,959
Cash and cash equivalents at end of the period	**58,959**

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

Details of the reconciliation of profit/(loss) after income tax to net cash flows provided by/(used in) operating activities are provided in Note 30.

1. STATEMENT OF ACCOUNTING POLICIES

1.1. Reporting Entity

The reporting entity is China Construction Bank (New Zealand) Limited (the "Bank"). It became a registered bank on 15 July 2014 and changed its name from CCB New Zealand Limited to China Construction Bank (New Zealand) Limited on the same date. 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 30 January 2014 and is registered under Company Number 4929019. The Bank's registered office and address for service is C/- Minter Ellison Rudd Watts, 88 Shortland Street, Auckland 1010, New Zealand. The Bank's principal place of business is Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand.

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

The financial statements are for the period from 30 January 2014 (the Bank's date of incorporation) to 30 April 2014 and have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 ("the Order"). They were approved for issue by the Board of Directors of the Bank (the "Board") on 15 July 2014.

1.2. Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared in accordance with the historical cost basis except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments, including in the case of fair value hedging, the fair value adjustment on the underlying hedged exposure;
- available-for sale financial assets;
- financial instruments held for trading;
- financial instruments designated at fair value through profit and loss.

1.3. 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.

1.4. Particular accounting policies

a) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when recognised in other comprehensive income as qualifying cash flow hedges.

Translation differences on non-monetary items measured at fair value through profit or loss are reported as part of the fair value gain or loss on these items. Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Interest income

Interest income for all interest earning financial assets including those at fair value is recognised in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments over the expected life of the financial instrument, or when appropriate, over a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument (e.g. prepayment, call and similar options), but do not consider future credit losses. The calculation includes all fees and other amounts received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest relating to impaired loans is recognised using the loan's original effective interest rate based on the net carrying value of the impaired loan after giving effect to impairment losses or for a variable rate loan, the current effective interest rate determined under the contract. This rate is also used to discount the future cash flows for the purpose of measuring impairment losses. For loans that have been impaired, this method results in cash receipts being apportioned between interest and principal.

Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to the effective interest rate arising from negotiating, or participating in the negotiation of a transaction with a third party, such as purchase or sale of businesses, are recognised on completion of the underlying transaction.

Trading income

Realised gains and losses and unrealised gains and losses arising from changes in the fair value of trading assets and trading liabilities are recognised as trading income in the profit or loss in the period in which they arise, except for recognition of day one profits or losses which are deferred where certain valuation inputs are unobservable. Dividend income on the trading portfolio is also recognised as part of non-interest income. Interest income or interest expense on the trading portfolio is recognised as part of net interest income.

Gain or loss on disposal of property, plant and equipment

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sale proceeds less costs of disposal and the carrying amount of the respective asset and is recognised in the profit or loss as non-interest income.

Other income

Dividend income is recorded in the profit or loss when the Bank's right to receive the dividend is established. Other realised and unrealised gains and losses from re-measurement of financial instruments at fair value through profit and loss are included in other income.

c) Expense recognition

Interest expense

Interest expense, including premiums or discounts and associated expenses incurred on the issue of financial liabilities, is recognised in the profit or loss using the effective interest method.

Loan origination expenses

Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:

- fees and commissions payable to brokers and certain customer incentive payments in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the effective yield of the financial asset over its expected life using the effective interest method.

Leasing

Operating lease payments are recognised in the profit or loss as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received. Incentives received on entering into operating leases are recognised as liabilities and amortised as a reduction of rental expense on a straight-line basis over the lease term.

Impairment losses on loans and receivables carried at amortised cost

The loss recognised in the profit or loss for impairment on loans and receivables carried at amortised cost reflects the net movement in the provisions for individually assessed and collectively assessed loans, write-offs and recoveries of impairments previously written off.

Commissions and other fees

All other fees and commissions are recognised in the profit or loss over the period in which the related service is received.

Other expenses

All other expenses are recognised in the profit or loss on an accruals basis as the related service is received.

d) Taxation

Income tax expense

Income tax on profit or loss for the period comprises current and deferred tax and is based on the applicable tax law. It is recognised in the profit or loss as tax expense, except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is recorded in other comprehensive income or directly in equity respectively, or where it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.

Current tax

Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet method. It is generated by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those relating to taxable temporary differences arising from goodwill. They are also recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures, except where the Bank is able to control the reversal of the temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Bank, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

Offsetting

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes levied by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax (“GST”) except where the amount of GST incurred is not recoverable from Inland Revenue. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, Inland Revenue is included as other assets or other liabilities in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to Inland Revenue, are classified as operating cash flows.

e) Financial Assets

Classification

Financial assets are classified into one of the following categories at initial recognition: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification at initial recognition depends on the purpose and management's intention for which the financial assets were acquired and their characteristics.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: first, financial assets held for trading and second, those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term, if it is part of a portfolio of financial assets that are managed together and for which there is evidence of a recent pattern of short-term profit taking, if it is a derivative that is not a designated hedging instrument, or if so designated on acquisition by management. This designation may only be made if the financial asset contains an embedded derivative, it is managed on a fair value basis in accordance with a documented risk management strategy, or if designating it at fair value reduces an accounting mismatch.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as either financial assets at fair value through profit or loss or loans and receivables.

Recognition and measurement of financial assets

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale financial assets are recognised on the trade-date, the date on which the Bank commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrower. Financial assets at fair value through profit or loss are recognised initially at fair value, with transaction costs being recognised in profit or loss immediately. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method less impairment. Realised and unrealised gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the right to receive payment is established. Foreign exchange gains or losses and interest, calculated using the effective interest rate method, on available-for-sale debt instruments are also recognised in the profit or loss.

The fair values of quoted investments in active markets are based on prices within the bid-ask spread that are most representative of fair value in the circumstances. If the market for a financial asset is not active, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full, without material delay, to a third party under a 'pass-through' arrangement and cannot sell or re-pledge the asset other than to the transferee; and
- either the Bank has transferred substantially all the risks and rewards of the asset, or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank transfers its right to receive cash flows from an asset or has entered into a pass-through arrangement without transferring or retaining substantially all the risks and rewards of ownership or transferred control of these assets, the asset continues to be recognised on the balance sheet to the extent of the Bank's continuing involvement in the asset.

Cash and balances with central banks

Cash and balances with central banks include cash and cash at bank, cash in transit and call deposit and settlement account balances with central banks. These balances have an original maturity of less than three months. They are accounted for as loans and receivables and subsequently measured at amortised cost or the gross value of the outstanding balance, where appropriate.

Due from other financial institutions

Due from other financial institutions is defined by the nature of the counterparty and includes loans, nostro balances, deposit funds placed, collateral placed, reverse repurchase agreements and settlement account balances due from other financial institutions. They are accounted for as loans and receivables and subsequently measured at amortised cost using the effective interest method, less impairment where applicable.

Derivative assets

Derivative assets are measured at fair value through profit or loss. The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is used as a hedging instrument and, if so, the nature of the item being hedged. Refer to (h) below for more details on derivatives.

Trading securities

Trading securities include public and other debt and equity securities, which are held for trading. They are accounted for as financial assets at fair value through profit or loss.

Available-for-sale securities

Available-for-sale securities include public and other debt and equity securities that are designated as available-for-sale or that are not classified as either financial assets at fair value through profit or loss or loans and receivables. The accounting policy for available-for-sale securities is set out above.

Loans and advances

Loans and advances cover all forms of lending provided to customers such as overdrafts, term loans and lease receivables. They are accounted for as loans and receivables and subsequently measured at amortised cost using the effective interest method, less impairment where applicable.

Due from related parties

This amount includes all amounts due from related parties of the Bank, and is accounted for as loans and receivables, as above.

Other assets

Other assets include fees and commissions receivable, receivables relating to unsettled transactions and trade debtors.

Impairment of Financial Assets

Individually impaired assets are defined as any credit exposures against which an individually assessed provision has been recorded in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

A past due asset is any credit exposure where a counterparty has failed to make a payment when contractually due, and which is not an impaired asset.

An asset under administration is any credit exposure which is not an impaired asset or a past due asset, but which is to a counterparty:

- who is in receivership, liquidation, bankruptcy, statutory management or any other form of administration in New Zealand; or
- who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

The following accounting policies apply to the impairment of financial assets:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are not assessed for impairment as their fair value reflects the credit quality of the instrument and changes in fair value are recognised in the profit or loss.

(b) Loans and receivables

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets held at amortised cost is impaired and impairment losses are incurred if, and only if:

- there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date (a “loss event”); and
- that loss event has had an impact on the estimated future cash flows of the financial asset or the portfolio of financial assets that can be reliably estimated.

Objective evidence that a financial asset of group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the Bank granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the Bank would not otherwise consider;

d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:

  i. adverse changes in the payment status of borrowers in the group; or

  ii. national or local economic conditions that correlate with defaults on the assets in the group.

The Bank assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment of loans and receivables has occurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. As this discount unwinds during the period between recognition of the impairment and recovery of the cash flow, it is recognised in interest income. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not currently exist.

The process of estimating the amount and timing of cash flows involves considerable management judgment. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the profit or loss.

When a loan or part of a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised through the profit or loss.

A provision is also raised for off-balance sheet items such as commitments that are considered likely to result in an expected loss.

(c) Available-for-sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt instruments classified as available-for-sale, impairment is determined using the same methodology as for financial assets classified as loans and receivables. For equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss – is removed from other comprehensive income and recognised in the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss. Subsequent reversal of impairment losses on equity instruments are recognised directly in other comprehensive income.

f) Non-financial assets

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost is the fair value of the consideration provided plus any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred. Impairment is recognised as an operating expense in the profit or loss.

Depreciation is calculated using the straight-line method to allocate the cost of assets less any residual value over their estimated useful lives as follows:

• Leasehold improvements	Lesser of 5 years or the remaining lease term
• Furniture and equipment	5 years
• Computer equipment	3 years
• Motor vehicles	5 years

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets comprise computer software licences and computer software costs and are carried at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These assets are amortised over their expected useful lives on a straight line basis over periods generally ranging from 3 to 5 years.

Internal and external costs directly incurred in the development of computer software, including subsequent upgrades and enhancements, are recognised as intangible assets when it is probable that they will generate future economic benefits attributable to the Bank. These assets are amortised over their expected useful lives on a straight line basis.

Impairment of non-financial assets

The carrying amount of the Bank's non-financial assets, other than deferred tax assets, are reviewed at least annually to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. Impairment is recognised whenever the carrying amount of an asset or the cash-generating unit ('CGU') to which it is allocated exceeds its recoverable amount. CGUs are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. Impairment losses and reversals of impairment losses are recognised in the profit or loss.

The recoverable amount of an asset is the greater of its fair value less cost to sell and value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using an appropriate discount rate. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

g) Financial liabilities

Classification

The Bank classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

(i) Financial liabilities at fair value through profit or loss

This category has two sub-categories: first, financial liabilities held for trading and second, those designated at fair value through profit or loss at inception. A financial liability is classified in this category if incurred principally for repurchasing it in the near term, if it is part of a portfolio of financial liabilities that are managed together and for which there is evidence of a recent pattern of short-term profit taking, if it is a derivative that is not a designated hedging instrument, or if so designated on initial recognition by management. This designation may only be made if the financial liability contains an embedded derivative, it is managed on a fair value basis in accordance with a documented risk management strategy, or if designating it at fair value reduces an accounting mismatch.

(ii) Financial liabilities at amortised cost

This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost.

Recognition and measurement of financial liabilities

Financial liabilities are recognised when an obligation arises. Financial liabilities held at fair value through profit or loss are initially recognised at fair value with transaction costs being recognised in the profit or loss immediately. Subsequently, they are measured at fair value with any gains and losses included in the profit or loss in the period in which they arise. All other financial liabilities are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss

Due to other financial institutions

Due to other financial institutions is defined by the nature of the counterparty and includes deposits, vostro balances, collateral received, repurchase agreements and settlement account balances due to other financial institutions. They are measured at amortised cost using the effective interest method.

Deposits from customers

Deposits and other borrowings cover all forms of funding from customers including transactional and savings accounts, term deposits and foreign currency accounts. They are measured at amortised cost using the effective interest method.

Derivative liabilities

Derivative liabilities are measured at fair value through profit or loss. The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is used as a hedging instrument and, if so, the nature of the item being hedged. Refer to (h) below for more details on derivatives.

Trading liabilities

Securities sold short are classified as trading liabilities. They are accounted for as financial liabilities at fair value through profit or loss.

Debt securities issued

Debt securities are certificates of deposit, commercial paper, bonds and notes that have been issued by the Bank. They are either accounted for at amortised cost or at fair value through profit or loss. If the liability is accounted for at amortised cost, it is initially recorded at cost, which is the fair value of the consideration received, net of transaction costs. Subsequently, the debt is measured using the effective interest method. If the liability is accounted for at fair value through profit or loss, the debt issue is initially recognised at the fair value of the consideration received. Debt issues are measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are issued in the ordinary course of business, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given; typically this is the premium received. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of:

- the amount initially recognised less, when appropriate, amortisation of the fee which is recognised over the life of the guarantee; and
- where it is likely the Bank will incur a loss as a result of issuing the contract, the estimated amount of the loss payable. These estimates are determined based on experience of similar transactions and history of past losses.

Due to related parties

This amount includes all amounts due to related parties of the Bank. They are measured at amortised cost using the effective interest method.

Other liabilities

Other liabilities include fees payable, payables relating to unsettled transactions and trade creditors.

h) Derivative financial instruments and hedge accounting

Derivative financial instruments are contracts whose value is derived from one or more underlying price index or other variable. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

All derivatives are recognised in the balance sheet at fair value on trade date and are classified as held-for-trading except where they are used as part of an effective hedge relationship. The carrying value of a derivative is re-measured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is used as a hedging instrument and, if so, the nature of the item being hedged. The Bank designates certain derivatives as either hedges of movements in the fair value of recognised assets and liabilities or firm commitments (fair value hedge) or hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Bank documents, at inception of the transaction, the relationship between the hedging instrument and the hedged item, the Bank's risk management objective and strategy for undertaking the hedge transaction and the methods that will be used to assess the effectiveness of the hedging relationship. The Bank formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging instrument has been highly effective in offsetting changes in the fair value or cash flows of the hedged item.

A hedge is regarded as highly effective if, at inception and throughout its life, the Bank can expect changes in the fair value or cash flows of the hedged item to be almost fully offset by the changes in the fair value or cash flows of the hedging instrument, and actual results of the hedge are within a range of 80% to 125% of these changes. Hedge ineffectiveness represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item or the amount by which changes in the cash flows of the hedging instrument differ from changes (or expected changes) in the present value of the cash flows of the hedged item.

Any derivative that is de-designated as a hedging derivative will be accounted for as held-for-trading from the time that it is de-designated, with all subsequent movements in fair value recognised in the profit or loss.

Fair value hedge accounting

Where the Bank hedges the fair value of a recognised asset or liability or firm commitment, changes in the fair value of the derivative designated as a fair value hedge are recognised in the profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are reflected in adjustments to the carrying value of the hedged item, which are also recognised in the profit or loss.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit or loss on an effective yield basis over the period to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the profit or loss.

Cash flow hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify for cash flow hedge accounting are recognised in other comprehensive income, while the gain or loss relating to any ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in reserves are transferred to the profit or loss in the period in which the hedged item will affect the profit or loss.

When a hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting, any cumulative gain or loss existing in reserves at that time remains in reserves and is recognised in the profit or loss when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in reserves is immediately transferred to the profit or loss.

i) Embedded derivatives

Certain derivatives embedded in financial instruments are only treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are bifurcated and measured at fair value with changes in fair value recognised in the profit or loss.

j) Offsetting

Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument;
- where gains and losses relating to fair value hedges are assessed as effective; or
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses.

Offsetting of financial assets and financial liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a legally enforceable right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

k) Provisions

A provision is recognised in the balance sheet when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

l) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but are disclosed, unless the possibility of payment is remote.

m) Leases

Leases are classified as either finance leases or operating leases. Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the risks and rewards of the assets remain with the lessor are classified as operating leases.

In its capacity as a lessor, the Bank offers finance leases. Where assets are held subject to a finance lease, the present value of the lease payments including any guaranteed residual value is recognised as a receivable and is reported within loans and advances. The difference between the gross receivable and the present value of the receivable is treated as unearned finance income. Lease income is recognised over the lease term so as to produce a constant periodic rate of return on the net investment in the finance lease. Finance lease income is included within net interest income.

In its capacity as a lessee, the Bank mainly leases property, plant and equipment under operating leases. Payments due to the lessor under operating leases are charged to the profit or loss on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern of the benefit received.

n) Equity

Shares

Issued shares are recognised at the amount paid per share net of directly attributable issue costs.

Available-for-sale revaluation reserve

This reserve includes changes in the fair value of available-for-sale financial assets, net of tax. These changes are transferred to the profit or loss (in non-interest income) when the asset is derecognised or impaired.

Cash flow hedge reserve

This reserve includes the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

Dividend distribution

Dividends are recognised in equity in the period in which they are approved.

Proposed dividends which are declared and approved after the end of each reporting period are not recognised in the balance sheet and are instead disclosed as a subsequent event in the note to the financial statements.

o) Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees. Employee benefits are recognised as liabilities during the period in which the employees have rendered services to the Bank. If the effect of discounting the employee benefits expected to be paid after one year from the end of the reporting period is significant, the Bank will present them at their present value.

p) Recognition of deferred day one profit or loss

The best evidence of fair value at initial recognition is the transaction price, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets.

The Bank may enter into transactions where fair value is determined using valuation models for which not all significant inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as ‘day one profit or loss’, is not recognised immediately in profit or loss.

The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit or loss. Subsequent changes in fair value are recognised immediately in the profit or loss without reversal of deferred day one profits or losses.

q) Repurchase and reverse repurchase transactions

Under repurchase agreements, collateral in the form of securities is advanced to a third party and the Bank receives cash in exchange. The counterparty is allowed to sell or re-pledge the collateral advanced under repurchase agreements in the absence of default by the Bank, but has an obligation to return the collateral at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore the securities advanced are not derecognised and are retained within the relevant security portfolio and accounted for accordingly. The obligation to repurchase is recorded as a liability in the balance sheet. The difference between the sale and repurchase price represents interest expense and is recognised in the profit or loss over the term of the repurchase agreement.

A reverse repurchase agreement is the same transaction as a repurchase agreement except the Bank is receiving the collateral in the form of securities and giving cash in exchange. The Bank may sell or re-pledge any collateral received, but has an obligation to return the collateral and the counterparty retains substantially all the risks and rewards of ownership. Consequently the collateral is not recognised by the Bank which instead records a separate asset for the cash given. The difference between the purchase and sale price represents interest income and is recognised in the profit or loss over the term of the reverse repurchase agreement.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined that the Bank's Chief Executive Officer (“CEO”) is its chief operating decision-maker.

The Bank operates predominantly within New Zealand. On this basis geographical segment reporting is not applicable.

s) Statement of cash flows

Cash and cash equivalents

For presentation purposes within the cash flow statement, cash and cash equivalents include cash and cash at bank, cash in transit, call deposits and settlement account balances with the central bank (with an original maturity of three months or less) and money at short call (deposit and settlement accounts with other financial institutions with an original maturity of three months or less).

Netting of cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of those customers rather than those of the Bank, or are received and disbursed in transactions where the turnover is quick, the amounts are large and the maturities are short.

1.5. Comparative information

Given that this is the first period of operation of the Bank and these are the first set of financial statements of the Bank, there is no comparative information for the prior period.

1.6. Changes in accounting policies

Since this is the first period of operation of the Bank and these are the first set of financial statements of the Bank, there have been no changes to accounting policies in the period ended 30 April 2014.

1.7. Future accounting developments

The following new standards and amendments to standards relevant to the Bank have been issued. The Bank does not intend to apply these standards until their effective dates.

NZ IFRS 9 *Financial Instruments* replaces part of NZ IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2017. It establishes two primary measurement categories for financial assets: amortised at cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset. It also amends the fair value option for financial liabilities so that the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. Changes have also been made to hedge accounting to establish a more principles-based approach and align it more closely with risk management. Changes will also be made to the impairment of financial assets, which are still being finalised and will be incorporated into the final standard. The Bank is in the process of evaluating the potential effect of this standard.

NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after 1 January 2017 and addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 *Revenue* and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Bank has yet to assess the full impact of NZ IFRS 15.

The Bank has also considered all other standards issued but not yet effective and determined that they have no material impact on the financial statements.

1.8. Critical accounting estimates, assumptions and judgements

The preparation of these financial statements in accordance with NZ IFRS requires management to make estimates and assumptions that affect the amounts reported. It also requires management to make judgements in the process of applying the Bank's accounting policies.

Although the Bank has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the preparation of these financial statements, there are no assumptions made about the future and no other major sources of estimation uncertainty as at 30 April 2014, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There are also no judgements that management has made in the process of applying the Bank's accounting policies that have a significant effect on the amounts recognised in the financial statements.

2. NET INTEREST INCOME

For the period ended 30 April 2014	2014 $000
Interest Income	
Cash and liquid assets	-
Due from other financial institutions	5
Trading securities	-
Available-for-sale securities	-
Loans and advances[1]	-
Due from related parties	-
Total interest income[2]	**5**
Interest expense	
Due to other financial institutions	-
Deposits and other borrowings	-
Trading liabilities	-
Due to related parties	-
Debt securities issued	-
Total interest expense[3]	**-**
Total net interest income	**5**

(1) Interest income on loans and advances includes interest earned of $nil on individually impaired assets of the Bank.

(2) Total interest income for financial assets that are not at fair value through profit or loss is $5,000 for the Bank.

(3) Total interest expense for financial liabilities that are not at fair value through profit or loss is $nil for the Bank.

3. NON-INTEREST INCOME

For the period ended 30 April 2014	2014 $000
Fees and commissions	
Lending and credit facility related fee income	-
Other fee income	-
Commission income	-
Total fees and commissions	**-**
Trading income	
Net gains/(losses) on financial instruments held for trading	-
Other trading income	-
Total trading income	**-**
Other income	
Dividend income	-
Net ineffectiveness on qualifying hedges	-
Net gains/(losses) on other derivatives used for hedge purposes that do not qualify for hedge accounting	-
Net gains/(losses) on financial instruments designated at fair value through profit or loss	-
Net foreign exchange gains and losses	-
Net gain/(losses) on available-for-sale financial assets transferred to the profit or loss	-
Net gains/(losses) on disposal of property, plant and equipment	-
Other income	-
Total other income	**-**
Total non-interest income	**-**

4. OPERATING EXPENSES

For the period ended 30 April 2014	2014 $000
Amortisation of intangible assets	-
Depreciation:	
- Leasehold improvements	-
- Furniture and equipment	-
- Computer equipment	-
- Motor vehicles	-
Directors' fees	-
Employee benefits:	
- Salaries and wages	-
- Defined contribution plan expense	-
- Other long-term employee benefits	-
- Other	-
Operating lease rentals (minimum lease payments)	-
Purchased services:	
- Technology and information systems	-
- Legal	-
- Other professional services	-
Related party expenses	-
Other expenses (refer below)	-
Total operating expenses	**-**

For set-up costs borne and paid for by the Ultimate Parent Bank, refer to Note 25.

Included in other expenses are:

Fees paid to the external auditors (Deloitte)

For the period ended 30 April 2014	2014 $000
Audit of financial statements	-
Other services	-
Auditors' remuneration	**-**

Deloitte have been appointed as the Bank's auditors. The audit fee payable to Deloitte in respect of these financial statements is $28,000, which will be borne by the Ultimate Parent Bank.

No other services were provided by the Bank's auditors during the period ended 30 April 2014.

It is the Bank's policy to engage the external auditors from time to time on assignments additional to their statutory audit duties only if the services do not prejudice the independence of the auditors.

5. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

For the period ended 30 April 2014	Residential mortgage loans $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Movement in collectively assessed provisions	-	-	-	-
Movement in individually assessed provisions	-	-	-	-
Bad debts written-off directly to the profit or loss	-	-		-
Bad debts recovered	-	-	-	-
Total impairment losses on loans and advances	**-**	**-**	**-**	**-**

6. INCOME TAX EXPENSE

For the period ended 30 April 2014	2014 $000
Current tax	1
Deferred tax	-
Total income tax expense	**1**
Reconciliation of the prima facie income tax payable on profit/(loss)	
Profit/(loss) before income tax	5
Prima facie income tax at 28%	1
Tax effect of income not subject to tax	-
Tax effect of expenses not deductible for tax purposes	-
Tax effect of prior period adjustments	-
Utilisation of previously unrecognised tax losses	-
Tax losses for which no deferred tax asset was recognised	-
Other items	-
Total income tax expense	**1**
Effective tax rate	**28%**
Income tax (charged) / credited directly to equity	
Current tax	-
Deferred tax	-
Total income tax (charged) / credited directly to equity	**-**

The tax (charge)/credit relating to each component of other comprehensive income is disclosed in Note 24.

Imputation credit account

The amount of imputation credits available to the Bank as at 30 April 2014 for use in subsequent reporting periods is $nil.

7. CASH AND BALANCES WITH CENTRAL BANKS

As at 30 April 2014	2014 $000
Cash, cash at bank and cash in transit	-
Call deposits and settlement account balances with central banks	-
Total cash and balances with central banks	**-**

8. DUE FROM OTHER FINANCIAL INSTITUTIONS

As at 30 April 2014	2014 $000
Loans and advances due from other financial institutions – call	58,959
Loans and advances due from other financial institutions - term	-
Cash collateral given on derivative financial instruments	-
Reverse repurchase agreements	-
Other unsettled receivables	-
Total amount due from other financial institutions	**58,959**
Amounts expected to be recovered within 12 months	58,959
Amounts expected to be recovered after 12 months	-
Total amount due from other financial institutions	**58,959**

Included in due from other financial institutions as at 30 April 2014 was $nil of collateral pledged by the Bank in respect of its credit support annex obligations to derivative counterparties.

The Bank has accepted collateral of $nil with a fair value of $nil as at 30 April 2014 arising from reverse repurchase agreements.

The fair value of any collateral held which has been sold or re-pledged as at 30 April 2014 is $nil.

9. TRADING SECURITIES

As at 30 April 2014	2014 $000
Government bonds, notes and securities	-
Local and semi-government bonds, notes and securities	-
Corporate and other institutions bonds, notes and securities	-
Total trading securities	**-**
Amounts expected to be recovered within 12 months	-
Amounts expected to be recovered after 12 months	-
Total trading securities	**-**

Included in trading securities as at 30 April 2014 were $nil encumbered through repurchase agreements. These trading securities have not been derecognised from the Bank as the Bank retains substantially all the risks and rewards of ownership. Counterparties have the right to sell or re-pledge these encumbered securities. The Bank's obligation to repurchase is classified under due to other financial institutions.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The use of derivatives and their sale to customers as risk management products is an integral part of the Bank's trading activities. Derivatives are also used to manage the Bank's own exposure to fluctuations in exchange and interest rates as part of its own asset and liability management activities

Derivatives are subject to the same types of credit and market risk as other financial instruments and the Bank manages these risks in a consistent manner.

Derivatives, except for those that are specifically designated as effective hedging instruments, are classified as held for trading.

Derivatives held for trading

The Bank has no derivatives held for trading as at 30 April 2014.

The held for trading classification includes two categories of derivative instruments: those held as trading positions and those used for the Bank's balance sheet risk management.

Trading positions

The held for trading positions consist of sales to customers. Sales to customers include the structuring and marketing of derivative products to customers which enable them to take or mitigate risks. Positions may be traded actively or held over a period of time to benefit from expected changes in market rates.

Balance sheet risk management

The Bank designates certain balance sheet risk management derivatives into hedging relationships in order to minimise income statement volatility. This volatility is created by differences in the timing of recognition of gains and losses between the derivative and the hedged item. Hedge accounting is not applied to all balance sheet risk management positions as some balance sheet risk management derivatives are classified as held for trading.

Derivatives in hedging relationships

The Bank has no derivatives held in fair value or cash flow hedge relationships as at 30 April 2014.

Fair value hedges

The gain/(loss) on fair value hedges attributable to the hedged risk during the period ended 30 April 2014 was:

For the period ended 30 April 2014	2014 $000
Gain/(loss) arising from fair value hedges	
- hedged item	-
- hedging instrument	-
Net ineffectiveness on qualifying fair value hedges	**-**

Cash flow hedges

There were no transactions for which cash flow hedge accounting had to be ceased during the period ended 30 April 2014 as a result of highly probable cash flows no longer expected to occur.

There are no fair value gains and losses deferred in the cash flow hedge reserve to be transferred to profit or loss as the cash flows under the hedged transactions occur.

The following table reflects the period when the hedged cash flows are expected to occur and affect the profit or loss.

2014	Less than 1 year $000	Over 1 year and up to 2 years $000	Over 2 years and up to 3 years $000	Over 3 years and up to 4 years $000	Over 4 years and up to 5 years $000	Over 5 years $000
Cash inflows (assets)	-	-	-	-	-	-
Cash outflows (liabilities)	-	-	-	-	-	-

For the period ended 30 April 2014, the hedge ineffectiveness recognised in the profit or loss in relation to cash flow hedges was $nil for the Bank.

As at 30 April 2014	Notional Principal Amount $000	Fair value Assets $000	Fair value (Liabilities) $000
Held-for-trading derivatives[1]			
Foreign exchange derivatives			
Spot and forward contracts	-	-	-
Futures	-	-	-
Swaps	-	-	-
Options	-	-	-
Interest rate derivatives			
Forward rate agreements	-	-	-
Futures	-	-	-
Swaps	-	-	-
Options	-	-	-
Total held-for-trading derivatives	-	-	-
Fair value hedging derivatives			
Foreign exchange derivatives			
Forward contracts	-	-	-
Swaps	-	-	-
Interest rate derivatives			
Forward rate agreements	-	-	-
Swaps	-	-	-
Total fair value hedging derivatives	-	-	-
Cash flow hedging derivatives			
Foreign exchange derivatives			
Forward contracts	-	-	-
Swaps	-	-	-
Interest rate derivatives			
Forward rate agreements	-	-	-
Swaps	-	-	-
Total cash flow hedging derivatives	-	-	-
Total derivatives	-	-	-
Amounts expected to be settled within 12 months	-	-	-
Amounts expected to be settled after 12 months	-	-	-
Total derivatives	-	-	-

(1) Held-for-trading derivative financial instruments include some derivatives that are used for hedging purposes that are not in designated hedge accounting relationships.

11. AVAILABLE-FOR-SALE SECURITIES

As at 30 April 2014	2014 $000
Government bonds, notes and securities	-
Local and semi-government bonds, notes and securities	-
Corporate and other institutions bonds, notes and securities	-
Equity securities	-
Total available-for-sale securities	**-**
Amounts expected to be recovered within 12 months	-
Amounts expected to be recovered after 12 months	-
Total available-for-sale securities	**-**

12. LOANS AND ADVANCES

As at 30 April 2014	2014 $000
Overdrafts	-
Term loans - housing	-
Term loans – non-housing	-
Finance lease receivables	-
Other	-
Total gross loans and advances	**-**
Provisions for impairment losses on loans and advances	-
Deferred and other unearned future income and expenses	-
Fair value hedge adjustments	-
Total net loans and advances	**-**
Amounts expected to be recovered within 12 months	-
Amounts expected to be recovered after 12 months	-
Total net loans and advances	**-**

13. ASSET QUALITY

As at 30 April 2014	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Neither past due nor impaired	**-**	**-**	**-**	**-**
Past due but not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due but not impaired	**-**	**-**	**-**	**-**
Individually impaired assets				
Balance at beginning of the period	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	**-**	**-**	**-**	**-**
Total gross loans and advances	**-**	**-**	**-**	**-**
Individually assessed provisions				
Balance at beginning of the period	-	-	-	-
Charge/(credit) to impairment losses on loans and advances in profit or loss:				
New and increased provisions	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Recoveries of amounts written off in previous periods	-	-	-	-
Amounts written off	-	-	-	-
Discount unwind[1]	-	-	-	-
Balance at end of the period	**-**	**-**	**-**	**-**
Collectively assessed provisions				
Balance at beginning of the period	-	-	-	-
Charge (credit) to impairment losses on loans and advances in profit or loss	-	-	-	-
Balance at end of the period	**-**	**-**	**-**	**-**
Total provisions for impairment losses on loans and advances	-	-	-	-
Total net loans and advances	**-**	**-**	**-**	**-**

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

Undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired were $nil as at 30 April 2014.

The Bank did not have other assets under administration as at 30 April 2014.

14. OTHER ASSETS

As at 30 April 2014	2014 $000
Fees and commissions receivable	-
Securities sold not yet settled	-
Trade debtors	-
Prepayments	-
Other	-
Total other assets	**-**
Amounts expected to be recovered within 12 months	-
Amounts expected to be recovered after 12 months	-
Total other assets	**-**

15. PROPERTY, PLANT AND EQUIPMENT

As at 30 April 2014	2014 $000
Leasehold improvements	-
Furniture and equipment	-
Computer equipment	-
Motor vehicles	-
Total property, plant and equipment	**-**

As at 30 April 2014	Leasehold improvements $000	Furniture and equipment $000	Computer Equipment $000	Motor vehicles $000	Total $000
Cost brought forward	-	-	-	-	-
Accumulated depreciation brought forward	-	-	-	-	-
Opening net carrying amount	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	-	-	-	-	-
Closing net carrying amount	**-**	**-**	**-**	**-**	**-**
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Closing net carrying amount	**-**	**-**	**-**	**-**	**-**

There were no restrictions existing on title to property, plant and equipment and no property, plant and equipment was pledged as security for liabilities as at 30 April 2014.

There were contractual commitments of $1,045,000 (inclusive of GST) for the acquisition of property, plant and equipment as at 30 April 2014.

16. INTANGIBLE ASSETS

As at 30 April 2014	2014 $000
Computer software	-
Computer software work in progress (internally developed)	-
Total intangible assets	**-**
Computer software	
Cost brought forward	-
Accumulated amortisation brought forward	-
Opening net carrying amount	**-**
Transfer from computer software work in progress	-
Additions	-
Disposals	-
Amortisation	-
Closing net carrying amount	**-**
Cost	-
Accumulated amortisation	-
Closing net carrying amount	**-**
Computer software work in progress (internally developed)	
Balance brought forward	-
Additions	-
Transfers to computer software	-
Disposals	-
Closing net carrying amount	**-**

There were no restrictions existing on title to intangible assets and no intangible assets were pledged as security for liabilities as at 30 April 2014.

There were no contractual commitments for the acquisition of intangible assets as at 30 April 2014.

17. DEFERRED TAX

As at 30 April 2014	2014 $000
Deferred tax asset	
Balance at beginning of period	-
Recognised in profit or loss	-
Recognised in other comprehensive income	-
Recognised directly in equity	-
Balance at end of period	**-**

As at 30 April 2014	2014 $000
Deferred tax assets / (liabilities) comprises the following temporary differences:	
Provision for impairment losses on loans and advances	-
Provision for employee entitlements	-
Property, plant and equipment	-
Intangible assets	-
Cash flow hedges	-
Tax losses recognised	-
Other temporary differences	-
Total deferred tax assets (net)[1]	-
To be recovered within 12 months	-
To be recovered after 12 months	-
Total deferred tax assets (net)[1]	**-**

(1) Deferred tax assets and deferred tax liabilities are set-off where they relate to income tax levied by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction

Deferred tax recognised in profit or loss comprises the following temporary differences:	
Provision for impairment losses on loans and advances	-
Provision for employee entitlements	-
Property, plant and equipment	-
Intangible assets	-
Tax losses recognised	-
Other temporary differences	-
Total deferred tax recognised in profit or loss	**-**
Deferred tax recognised in other comprehensive income comprises the following temporary differences:	
Cash flow hedges	-
Total deferred tax recognised in other comprehensive income	**-**
Deferred tax recognised directly in equity comprises the following temporary differences:	
Provision for employee entitlements	-
Total deferred tax recognised directly in equity	**-**

18. DUE TO OTHER FINANCIAL INSTITUTIONS

As at 30 April 2014	2014 $000
Loans and advances due to other financial institutions – call	-
Loans and advances due to other financial institutions – term	-
Cash collateral received on derivative financial instruments	-
Repurchase agreements	-
Other unsettled payables	-
Total amount due to other financial institutions	**-**
Amounts expected to be settled within 12 months	-
Amounts expected to be settled after 12 months	-
Total amount due to other financial institutions	**-**

Included in due to other financial institutions as at 30 April 2014 was $nil of collateral pledged by counterparties in respect of its credit support annex obligations to the Bank.

19. TRADING LIABILITIES

As at 30 April 2014	2014 $000
Securities sold short	-
Total trading liabilities	**-**
Amounts expected to be settled within 12 months	-
Amounts expected to be settled after 12 months	-
Total trading liabilities	**-**

20. DEPOSITS FROM CUSTOMERS

As at 30 April 2014	2014 $000
Demand deposits not bearing interest	-
Demand deposits bearing interest	-
Term deposits	-
Total deposits from customers	**-**
Amounts expected to be settled within 12 months	-
Amounts expected to be settled after 12 months	-
Total deposits from customers	**-**

21. DEBT SECURITIES ISSUED

Presented below are the Bank's debt securities issued at 30 April 2014. The distinction between short-term and long-term debt is based on the maturity of the underlying security at origination.

As at 30 April 2014	2014 $000
Short term debt	
Certificates of deposit	-
Commercial paper	-
Total short term debt	**-**
Long term debt	
Domestic bonds	-
Euro medium term notes	-
Covered bonds	-
Total long term debt	**-**
Total debt securities issued	
Debt securities issued at fair value through profit or loss[1]	-
Debt securities issued at amortised cost	-
Total debt securities issued	**-**
Amounts expected to be settled within 12 months	-
Amounts expected to be settled after 12 months	-
Total debt securities issued	**-**

(1) The amount that would be contractually required to be paid at maturity to the holders of the debt securities issued at fair value through profit or loss for the Bank is $nil.

Included in total debt securities issued are fair value hedge adjustments of $nil as at 30 April 2014.

Details of the terms and conditions of debt securities issued by the Bank as at 30 April 2014 were as follows:

Short term debt

The Bank has no short term debt securities issued as at 30 April 2014.

Long term debt

The Bank has no long term debt securities issued as at 30 April 2014.

The Bank has not had any defaults of principal, interest or other breaches with regard to all liabilities during the period ended 30 April 2014.

22. OTHER LIABILITIES

As at 30 April 2014	2014 $000
Securities purchased not yet settled	-
Employee entitlements	-
Trade creditors and other accrued expenses	-
Other	-
Total other liabilities	**-**
Amounts expected to be settled within 12 months	-
Amounts expected to be settled after 12 months	-
Total other liabilities	**-**

23. SHARE CAPITAL

As at 30 April 2014	2014 Number of shares	2014 $000
Ordinary shares issued and fully paid		
Balance at beginning of the period	-	-
Shares issued during the period	58,629,981	58,630
Balance at end of the period	**58,629,981**	**58,630**

The Bank issued 100 ordinary shares on 30 January 2014 and 58,629,881 ordinary shares on 30 April 2014 to its immediate parent company, China Construction Bank Corporation (CCB). These shares were issued for $1.00 per share and the total consideration received was $58,629,981.

The total number of ordinary shares on issue as at 30 April 2014 was 58,629,981. All issued ordinary shares are fully paid. As at 30 April 2014 no other shares have been issued by the Bank.

All ordinary shares carry the right to one vote on a poll at meetings of shareholders and share equally in dividends authorised in respect of the ordinary shares and any proceeds available to ordinary shareholders on winding up of the Bank. The ordinary shares do not have a par value.

During the period ended 30 April 2014 the Bank paid dividends of $nil to CCB (equivalent to $nil per share).

24. RESERVES

As at 30 April 2014	2014 $000
Available-for-sale revaluation reserve	
Balance at beginning of the period	-
Net gains/(losses) from changes in fair value	-
Income tax effect	-
Transferred to profit or loss (other income) on disposal	-
Income tax effect	-
Balance at end of the period	**-**
Income tax effect (current tax)	-
Income tax effect (deferred tax)	-

The available-for-sale revaluation reserve includes the cumulative net change in the fair value of available-for-sale securities until being transferred to profit or loss when the asset is derecognised or impaired.

Cash flow hedge reserve	
Balance at beginning of the period	-
Net gains/(losses) from changes in fair value	-
Income tax effect	-
Transferred to profit or loss:	
Interest income	-
Income tax effect	-
Interest expense	-
Income tax effect	-
Balance at end of the period	**-**
Income tax effect (deferred tax)	-

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated in cash flow hedge accounting relationships.

25. RELATED PARTY TRANSACTIONS

The Bank is a wholly owned subsidiary of China Construction Bank Corporation (CCB), a company incorporated in China. The Ultimate Parent Bank of the Bank is also CCB. The Ultimate Parent Bank Group refers to the Ultimate Parent Bank and its subsidiaries. As at 30 April 2014, the Bank had no controlled entities.

Transactions with related parties

For the period ended 30 April 2014	2014 $000
Interest income	
Received from Ultimate Parent Bank	-
Interest expense	
Paid to Ultimate Parent Bank	-
Non-interest income	
Received from Ultimate Parent Bank	-
Operating expenses	
Paid to Ultimate Parent Bank	-

There were no debts with any related parties written off or forgiven during the period ended 30 April 2014.

Balances with related parties

As at 30 April 2014	2014 $000
Due from related parties[1]	
Due from Ultimate Parent Bank	12
Total related party assets	**12**
Due to related parties[2]	
Due to Ultimate Parent Bank	337
Total related party liabilities	**337**

(1) Due from related parties is disclosed in the Bank's balance sheet and is expected to be recovered within 12 months.
(2) Due to related parties is disclosed in the Bank's balance sheet and is expected to be settled within 12 months

No provisions for impairment loss have been recognised in respect of loans given to related parties as at 30 April 2014.

Nature of transactions and balances with related parties

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

During the period ended 30 April 2014, the Ultimate Parent Bank provided $434,000 to the Bank to fund payment of the Bank's set-up costs. There is no requirement for the Bank to reimburse the Ultimate Parent Bank for any set-up costs paid out of these funds, but any residual funds remaining after completion of the set-up are repayable to the Ultimate Parent Bank. Accordingly, any set-up costs paid out of these funds are not included in the Bank's profit or loss for the period ended 30 April 2014. As at 30 April 2014, a total of $97,000 had been paid out of these funds in relation to the Bank's set-up costs. The remaining balance of $337,000 is unsecured, repayable on demand to the Ultimate Parent Bank and is not subject to interest.

During the period ended 30 April 2014, the Bank has paid $12,000 on behalf of the Ultimate Parent Bank. This balance is unsecured, repayable on demand to the Bank and is not subject to interest.

The Ultimate Parent Bank has approved a total budget of approximately $1.5 million (equivalent), which it plans to incur directly in relation to the set-up costs of the Bank from the date of its incorporation on 30 January 2014. This amount includes the $434,000 noted above. The Ultimate Parent Bank does not require reimbursement for these costs. Accordingly, these set-up costs are not included in the Bank's profit or loss for the period ended 30 April 2014.

During the period ended 30 April 2014, the Bank issued 100 ordinary shares on 30 January 2014 and 58,629,881 ordinary shares on 30 April 2014 to the Ultimate Parent Bank. Refer to Note 23 for further details of the shares issued, together with details of dividends paid to the shareholders.

Subsequent to 30 April 2014, the Bank entered into a Deed of Guarantee with the Ultimate Parent Bank. Refer to Note 38 for details.

26. KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Bank are defined as the Directors and members of the senior executive team of the Bank. The information relating to the key management personnel disclosed in the tables below includes transactions with those individuals, their close family members and their controlled entities.

The table below shows the amount of compensation paid to key management personnel of the Bank.

For the period ended 30 April 2014	2014 $000
Key management personnel compensation	
Short-term employee benefits	-
Post-employment benefits	-
Other long-term benefits	-
Termination benefits	-
Share-based payments	-
Total key management personnel compensation	**-**

Loans and deposits with key management personnel

There were no loans or deposits with key management personnel in the period ended 30 April 2014.

As at 30 April 2014	2014 $000
Loans to key management personnel	-
Deposits from key management personnel	-

For the period ended 30 April 2014	2014 $000
Interest income on amounts due from key management personnel	-
Interest expense on amounts due to key management personnel	-

As at 30 April 2014, no provisions have been recognised in respect of loans given to key management personnel and their related parties. There were no debts written off or forgiven during the period ended 30 April 2014.

Other key management personnel transactions

There were no other transactions with key management personnel during the period ended 30 April 2014.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Classification of financial instruments and estimates of fair value

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The table below summarises the categories of financial instruments and the carrying amount and fair value of all financial instruments of the Bank (including the fair value of those financial instruments not carried at fair value in the balance sheet). The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used in the fair value estimates are described on pages 65 and 66.

	Classified at fair value through profit or loss						
As at 30 April 2014	Held for trading $000	Designated on initial recognition $000	Hedging $000	Available-for-sale assets $000	Loans and receivables $000	Financial liabilities at amortised cost $000	Total carrying amount $000
Financial assets							
Cash and balances with central banks	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	58,959	-	58,959
Trading securities	-	-	-	-	-	-	-
Derivative financial assets[1]	-	-	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Due from related parties	-	-	-	-	12	-	12
Other financial assets	-	-	-	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**	**58,971**	**-**	**58,971**
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Trading liabilities	-	-	-	-	-	-	-
Derivative financial liabilities[1]	-	-	-	-	-	-	-
Deposits from customers	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	(337)	(337)
Other financial liabilities	-	-	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**(337)**	**(337)**

(1) Derivative financial instruments classified as held for trading include derivatives entered into as economic hedges which are not designated as accounting hedges.

The fair values of the balances due from other financial institutions and due from / due to related parties are not disclosed separately as the carrying amounts are considered to approximate the respective fair values. Refer to pages 65 and 66 for further details.

Estimation of fair value

The fair value estimates of the Bank's financial instruments were determined by application of the methods and assumptions described below:

Cash and balances with central banks, due from/to other financial institutions and due from/to related parties

Where these financial instruments are short-term in nature, defined as those that re-price or mature in three months or less, or are receivable or payable on demand, the carrying amounts are considered to approximate the fair values. When longer term in nature, fair value is calculated using discounted cash flow models based on the interest rate repricing and maturity. Discount rates applied in this calculation are based on current market interest rates for similar instruments with similar credit and maturity profiles.

Trading securities, available-for-sale securities and trading liabilities

Fair value is based on quoted market prices, or broker or dealer price quotations. If this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or market accepted valuation models as appropriate (including discounted cash flow models) based on current market rates for similar types of instruments and the maturity of each instrument. These techniques address factors such as interest rates, credit risk and liquidity.

Derivative financial instruments

Fair value is obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate, which incorporate current market and contractual prices for the underlying instrument, time to expiry yield curves and volatility of the underlying instrument. Also included in the determination of the fair value of derivatives is a credit valuation adjustment (CVA) or debit valuation adjustment (DVA). Where the derivative has a positive fair value (asset), the CVA adjustment is to reflect the creditworthiness of the counterparty. Where the derivative has a negative fair value (liability), the DVA adjustment reflects the Bank's own credit risk. These adjustments are taken into account after considering any relevant collateral or master netting agreements.

Loans and advances

For floating rate loans and advances, the carrying amounts are considered to approximate the fair values. For fixed rate loans and advances, fair value is estimated using discounted cash flow models based on the interest rate repricing and maturity of the loans and advances. Discount rates applied in this calculation are based on current market interest rates for loans and advances with similar credit and maturity profiles.

Deposits from customers

With respect to deposits from customers, the fair value of non-interest bearing, call and variable rate deposits and fixed rate deposits repricing within three months is considered to approximate the carrying amount. For other fixed rate term deposits, the fair value is estimated using discounted cash flow models based on the maturity of the instruments. The discount rates applied in this calculation are based on current market interest rates for similar instruments with similar maturity profiles. The fair value includes a calculation of the Bank's own credit risk based on observable market data.

Debt securities issued

For debt securities issued held at amortised cost with maturities of less than three months, the carrying amount is considered to approximate the fair value. For all other debt securities issued, fair values have been calculated based on quoted market prices. For those debt securities issued where quoted market prices are not available, fair value is estimated using discounted cash flow models based on the interest rate repricing and maturity of the instruments. The discount rates applied in this calculation are based on current market interest rates for similar instruments with similar maturity profiles. The fair value includes a calculation of the Bank's own credit risk based on observable market data.

Other financial assets / financial liabilities

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

Fair value hierarchy

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

Where no quoted price in an active market is available, the Bank applies present value estimates or other market accepted valuation techniques. The use of a market accepted valuation technique will typically involve the use of a valuation model and appropriate inputs to the model.

The majority of models used by the Bank employ only observable market data as inputs. However, for certain financial instruments, data may be employed which is not readily observable in current markets. Typically in these instances valuation inputs will be derived using alternative means (including extrapolation from other relevant market data) and tested against historic transactions. The use of these inputs will require a high degree of management judgment.

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

"Level 1" – Quoted market price

Quoted market price (unadjusted) in an active market for an identical instrument: The quoted market price is not adjusted for any potential impact that may be attributed to a large holding of the financial instrument.

"Level 2" – Valuation technique using observable inputs

Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices): This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly from market data.

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

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

As at 30 April 2014, the Bank did not have any financial assets or financial liabilities measured at fair value which met the criteria of a Level 3 classification.

The following table below analyses financial instruments that are measured at fair value by the level in the fair value hierarchy into which the fair value measurement is categorised. A financial instrument's categorisation is based on the lowest level input that is significant to the fair value measurement.

As at 30 April 2014	Level 1 $000	Level 2 $000	Total $000
Financial assets			
Trading securities	-	-	-
Derivative financial assets	-	-	-
Available-for-sale securities	-	-	-
Total financial assets carried at fair value	**-**	**-**	**-**
Financial liabilities			
Trading liabilities	-	-	-
Derivative financial liabilities	-	-	-
Debt securities issued	-	-	-
Total financial liabilities carried at fair value	**-**	**-**	**-**

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. The timing of recognising transfers is the same for transfers into the levels as for transfers out of the levels. There have been no transfers between levels 1 and 2 during the period ended 30 April 2014. There have been no transfers into/out of level 3 during the period ended 30 April 2014.

28. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial Assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set-off in the balance sheet		
As at 30 April 2014	Gross amounts of recognised financial assets $000	Gross amounts of recognised financial liabilities set-off in the balance sheet $000	Net amounts of financial assets presented in the balance sheet $000	Financial Instruments $000	Cash collateral received $000	Net amount $000
Financial assets						
Cash and balances with central banks	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

Financial Liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set-off in the balance sheet		
As at 30 April 2014	Gross amounts of recognised financial liabilities $000	Gross amounts of recognised financial assets set- off in the balance sheet $000	Net amounts of financial liabilities presented in the balance sheet $000	Financial Instruments $000	Cash collateral received $000	Net amount $000
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Trading liabilities	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-
Deposits from customers	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

29. SEGMENT INFORMATION

As at 30 April 2014, the Bank has not yet commenced operating and therefore has no operating segments or segment information to be disclosed.

30. NOTES TO THE CASH FLOW STATEMENT

For the period ended 30 April 2014	2014 $000
Reconciliation of profit/(loss) after income tax to net cash flows provided by / (used in) operating activities	
Profit/(loss) after income tax	4
Adjustments:	
Impairment losses on loans and advances	-
Depreciation and amortisation	-
(Gain)/loss on sale of available-for-sale securities	-
Net (increase)/decrease:	
Due from other financial institutions (original maturity of more than 3 months)	-
Trading securities	-
Loans and advances	-
Due from related parties	(12)
Accrued interest receivable	-
Other assets	-
Net increase/(decrease):	
Due to other financial institutions	-
Trading liabilities	-
Deposits from customers	-
Provisions	-
Accrued interest payable	-
Other liabilities	-
Net movement in derivative financial instruments	-
Net movement in current and deferred tax	-
Other non-cash movements	-
Net cash flows provided by/(used in) operating activities	**(8)**

31. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

Capital expenditure contracted for as at 30 April 2014 but not yet incurred is as follows:

As at 30 April 2014	2014 $000
Capital expenditure commitments	
Property, plant and equipment	1,045
Intangible assets	-
Total	**1,045**

All such commitments are stated inclusive of GST and are due no later than one year from the reporting date.

Leasing commitments

The following non-cancellable operating lease commitments existed as at 30 April 2014.

As at 30 April 2014	2014 $000
Future aggregate minimum lease payments under non-cancellable operating leases:	
No later than 1 year	-
Later than 1 year and no later than 5 years	-
Later than 5 years	-
Total	-

Credit related commitments and contingent liabilities

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

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

Credit related commitments and contingent liabilities arising in respect of the Bank's operations as at 30 April 2014 were:

As at 30 April 2014	Contract or notional amount $000
Credit related commitments and contingent liabilities	
Commitments to extend credit[1]	-
Financial guarantees[2]	-
Standby letters of credit[3]	-
Trade letters of credit[4]	-
Non-financial guarantees[5]	-
Other commitments[6]	-
Total	**-**

(1) Commitments to extent credit include all obligations on the part of the Bank to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. In addition to the commitments disclosed above as at 30 April 2014, the Bank has offered $nil of facilities to customers, which had not yet been accepted.

(2) Financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. The Bank may hold cash as collateral for certain guarantees issued.

(3) Standby letters of credit are undertakings to pay, against presentation documents, an obligation in the event of a default by a customer.

(4) Trade letters of credit are undertakings by the Bank to pay or accept drafts drawn by an overseas supplier of goods against presentation of documents in the event of default by a customer.

(5) Non-financial guarantees included undertakings that oblige the Bank to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.

(6) Other commitments include underwriting facilities.

Other contingent liabilities

There were no other contingent liabilities as at 30 April 2014.

32. CONCENTRATION OF CREDIT EXPOSURES

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

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

As at 30 April 2014	Cash and balances with central banks $000	Due from other financial institutions $000	Trading securities and available-for-sale securities $000	Derivative financial assets $000	Loans and advances $000	Other financial assets $000	Total (on-balance sheet) $000	Credit commit-ments and contingent liabilities $000
Industry sector								
Agriculture	-	-	-	-	-	-	-	-
Forestry and fishing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Electricity, gas, water and waste services	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Wholesale trade	-	-	-	-	-	-	-	-
Retail trade	-	-	-	-	-	-	-	-
Accommodation and food services	-	-	-	-	-	-	-	-
Transport, postal and warehousing	-	-	-	-	-	-	-	-
Information media and telecommunications	-	-	-	-	-	-	-	-
Financial and insurance services	-	58,959	-	-	-	-	58,959	-
Rental, hiring and real estate services	-	-	-	-	-	-	-	-
Professional, scientific and technical services	-	-	-	-	-	-	-	-
Administrative and support services	-	-	-	-	-	-	-	-
Public administration and safety	-	-	-	-	-	-	-	-
Education and training	-	-	-	-	-	-	-	-
Health care and social assistance	-	-	-	-	-	-	-	-
Arts and recreation services	-	-	-	-	-	-	-	-
Personal lending	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Subtotal	**-**	**58,959**	**-**	**-**	**-**	**-**	**58,959**	**-**
Provisions for impairment losses on loans and advances							-	-
Deferred and other unearned future income and expenses							-	-

As at 30 April 2014	Cash and balances with central banks $000	Due from other financial institutions $000	Trading securities and available-for-sale securities $000	Derivative financial assets $000	Loans and advances $000	Other financial assets $000	Total (on-balance sheet) $000	Credit commit-ments and contingent liabilities $000
Fair value hedge adjustments							-	-
Due from related parties							12	-
Total credit exposures	**-**	**58,959**	**-**	**-**	**-**	**-**	**58,971**	**-**
Geographical area								
New Zealand	-	58,959	-	-	-	-	58,959	-
Overseas	-	-	-	-	-	-	12	-
Total credit exposures	**-**	**58,959**	**-**	**-**	**-**	**-**	**58,971**	**-**

Concentration of credit exposure to individual counterparties

Concentrations of credit exposures are disclosed on the basis of actual exposures. 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 of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any bank with a long-term credit rating of A- or A3 or above, or its equivalent.

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

- As at 30 April 2014 was nil; and
- In respect of peak end-of-day aggregate credit exposure for the period ended 30 April 2014 was nil.

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 equity:

- As at 30 April 2014 was nil; and
- In respect of peak end-of-day aggregate credit exposure for the period ended 30 April 2014 was nil.

The peak end-of-day aggregate credit exposure to an individual counterparty or a group of closely related counterparties has been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant period and then dividing that by the Bank's equity as at the end of the period.

33. CREDIT EXPOSURE TO CONNECTED PERSONS AND NON-BANK CONNECTED PERSONS

The Bank's credit exposure to connected persons is derived in accordance with the Bank's conditions of registration and the Reserve Bank document *Connected Exposures Policy* (BS8). The Reserve Bank defines connected persons to be other members of the Ultimate Parent Bank Group and Directors of the Bank.

Credit exposures to connected persons are based on actual credit exposures and are calculated on a gross basis, net of individual credit impairment allowances and excluding advances to connected persons of a capital nature. Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One capital of the Bank have been derived by determining the maximum end-of-day aggregate amount of credit exposure over the period ended 30 April 2014 and then dividing that amount by the Bank's Tier One capital as at 30 April 2014.

	$000	% of Tier One Capital as at 30 April 2014
As at end of period		
Credit exposure to connected persons	12	0.02%
Credit exposure to non-bank connected persons	-	-
Peak end-of-day for the period ended		
Credit exposure to connected persons	12	0.02%
Credit exposure to non-bank connected persons	-	-

As at 30 April 2014, no rating-contingent limit was applicable to the Bank. Upon registration as a bank on 15 July 2014, the rating-contingent limit applicable to the Bank is 40% of Tier One capital. Within the overall rating-contingent limit there is a sub-limit of 15% of Tier One capital which applies to the aggregate credit exposure to non-bank connected persons.

The limits on aggregate credit exposures to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times during the period ended 30 April 2014.

Where a bank is funding a large loan it is common practice to share the risk of a customer default with a syndicate of banks. These arrangements are called risk lay-off arrangements. As at 30 April 2014, the Bank had no aggregate amount of contingent exposures to connected persons arising from risk lay-off arrangements in respect of credit exposures to counterparties (excluding counterparties that are connected persons).

The aggregate amount of the Bank's individual credit provisions provided against credit exposures to connected persons was nil as at 30 April 2014.

34. CONCENTRATION OF FUNDING

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

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

As at 30 April 2014	2014 $000
Total funding comprises	
Due to other financial institutions	-
Trading liabilities	-
Deposits from customers	-
Debt securities issued	-
Due to related parties	337
Total funding	**337**
Concentration of funding by industry sector	
Agriculture	-
Forestry and fishing	-
Mining	-
Manufacturing	-
Electricity, gas, water and waste services	-
Construction	-
Wholesale trade	-
Retail trade	-
Accommodation and food services	-
Transport, postal and warehousing	-
Information media and telecommunications	-
Financial and insurance services	-
Rental, hiring and real estate services	-
Professional, scientific and technical services	-
Administrative and support services	-
Public administration and safety	-
Education and training	-
Health care and social assistance	-
Arts and recreation services	-
Households	-
Other	-
Subtotal	-
Due to related parties	337
Total funding	**337**
Concentration of funding by geographical areas[1]	-
New Zealand	-
China	337

As at 30 April 2014	2014 $000
Australia	-
United States	-
Europe	-
Other countries	-
Total funding	**337**

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

35. INSURANCE BUSINESS, SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

The Bank does not conduct any insurance business.

The Bank is also not involved in:

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

36. RISK MANAGEMENT

General

Introduction

The Bank had not commenced operations as at 30 April 2014. The following note describes the Bank's approach to risk management following the commencement of operations.

The primary risks of the Bank are those of credit, market (interest rate, foreign exchange), liquidity/funding, operational, strategic/business and reputational risk.

The Bank is committed to the management of risk and regards it as a fundamental activity performed at all levels of its business. The Bank also recognises the importance of effective risk management to its business success. Effective risk management is about achieving a balanced approach to risk and reward and enables the Bank to both increase financial growth opportunities and mitigate potential loss or damage. The Bank only takes on controlled amounts of risk when considered appropriate.

The Board is responsible for determining the Bank's risk appetite. The Board is also responsible for establishing risk management strategies and policies, monitoring their implementation and evaluating the overall risk profile of the Bank on a regular basis. The Bank is ultimately a subsidiary of the Ultimate

Parent Bank and accordingly its risk management strategies and policies are closely aligned with the Ultimate Parent Bank's.

The Bank's Chief Risk Officer ("CRO"), who reports to the CEO, is responsible for the implementation of the risk management strategies and policies and all executives have responsibility for the day to day management of risk across the Bank.

The Bank has an Asset and Liability Committee ("Bank's ALCO"), which meets monthly and is a specialised principal management committee that leads the management of balance sheet structure and oversees market risk, liquidity/funding risk and capital management within the context of the Bank's risk appetite as determined by the Bank's Board.

The Bank's executive team has responsibility for overseeing all risk aspects not considered by ALCO. This includes overseeing credit risk, operational risk, strategic/business risk and reputational risk within the context of the Bank's risk appetite as determined by the Bank's Board.

The Bank's Risk Management Department is the responsibility of the Bank's CRO. The Risk Management Department monitors the Bank's risk profile, assists business units in the implementation of risk management strategies and policies (including through the development of controls, processes and procedures) and provides oversight of risk management effectiveness.

Board audit committee and internal audit function

The Board is supported by the Bank's Board Audit Committee ('Bank's BAC'). The Bank's BAC comprises three Directors of the Bank, all of whom are non-executive and one of whom is independent. The Bank's BAC assists the Board in fulfilling its responsibilities to ensure the integrity of the Bank's financial controls, reporting systems and internal audit standards. It also oversees the integrity of the financial statements, compliance with legal and regulatory requirements relating to financial reporting, performance of the internal audit function and the external auditors' qualifications, independence, performance and remuneration.

The Bank has an internal audit function, using the services of a qualified reputable out-sourced service provider, which is independent of management and whose role is to provide the Board and management with an effective and independent appraisal of the internal controls established by management. It reports on a quarterly basis, or more often as deemed appropriate, to the Bank's BAC, to agree the budget and the annual plan (and any changes thereto) and to report its findings. The internal audit function has a direct reporting line and accountability to the Bank's BAC and administratively to the Bank's Chief Financial Officer ("Bank's CFO") and is granted full, free and unfettered access to all the Bank's records, property and employees.

The scope of responsibility of the internal audit function covers all business activities and support functions within the Bank and the internal audit plan is developed using a risk based approach, with high risk areas covered more frequently. The Ultimate Parent Bank may also conduct periodical internal audits of the Bank as it sees fit. All issues and recommendations reported are tracked and monitored to ensure completion and agreed actions are undertaken where appropriate.

Review of risk management systems

Since the Bank had not commenced operations as at 30 April 2014, there have been no reviews conducted since the date of incorporation in respect of the Bank's risk management systems, including by a party external to the Bank or the Ultimate Parent Bank.

Credit Risk

Credit risk is the risk of financial loss arising from the failure of a customer or counterparty to meet its contractual obligations to the Bank. It arises from the Bank's lending activities and from inter-bank, treasury and international trade activities. The Bank has an overall lending objective of sound growth for appropriate returns.

Credit Risk Management

The Bank has a clearly defined credit risk policy for the approval and management of credit risk. The policy applies to all activities of the Bank that give rise to credit risk exposure (including on-balance sheet, off-balance sheet and derivatives) and it applies to all customers and counterparties. Its aim is to ensure a structured and disciplined approach is maintained in achieving the objectives set by the Board. Key elements of the credit risk policy are:

Organisational structure

The Bank's Board is responsible for approving frameworks and policies for the management of credit risk that are within the risk appetite of the Bank.

The Bank's executive team is tasked with producing robust credit risk policies, credit risk management processes and asset writing strategies; examining portfolio standards, concentrations of lending and asset impairment; and monitoring compliance with credit risk policy.

In relation to credit risk, the Bank's Risk Management Department, which includes credit risk specialists, exists to: (i) provide independent credit decisions; (ii) support front-line lending staff in the application of sound credit practices; (iii) provide centralised remedial management of arrears; and (iv) undertake portfolio monitoring and loan asset quality analysis and reporting.

The integrity and effectiveness of the Bank's credit risk management practices, asset quality and compliance with policy is supported by independent assessments by the credit risk review function (within the Bank's Risk Management Department) and the internal audit function.

Credit approval

The Bank has clearly defined credit underwriting policies and standards for all lending, which incorporate income and repayment capacity, acceptable terms, security and loan documentation criteria. In the first instance, the Bank relies on the assessed integrity of the customer or counterparty and their ability to meet their contractual obligations for repayment. A credit risk grade is assigned to the customer using the Bank's credit risk grading system, which has been developed by the Ultimate Parent Bank (subject to local tailoring for the Bank) and is approved annually by the Board.

Credit facilities are approved through a hierarchy of delegated approval authorities that reflect the skill and experience of lending management.

Credit risk mitigation

The Bank has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk. The policies and procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured where appropriate. The credit risk policy sets out the type of acceptable collateral, including cash, mortgages over property, charges over business assets (e.g., premises, inventory and accounts receivable), charges over financial instruments (e.g. debt securities and equities) and financial guarantees.

The Bank also uses International Swap Dealers' Association (ISDA) Master Agreements to document derivative activities to limit exposure to credit losses. The credit risk is reduced by a master agreement to the extent that, if an event of default or predetermined event occurs, all contracts with the counterparty are terminated and settled on a net basis. Further, it is the Bank's preferred practice to include all products covered by the ISDA in the Credit Support Annex ("CSA") in order to achieve further credit exposure reduction. Under a CSA, collateral is passed between the parties, depending on the aggregate mark-to-market (positive or negative) of derivative trades between the two entities, to mitigate the market contingent counterparty risk inherent in the outstanding positions.

The Bank applies the simple method to measure the mitigating effects of collateral.

Credit risk monitoring

Monitoring of compliance with loan covenants is performed on a monthly basis by the Bank's Risk Management Department. In addition, all loans and advances are required to be reviewed on an annual basis with any recommendations for action to be approved by the appropriate delegated authority. The Bank's Risk Management Department may also initiate an earlier review if market conditions change in a way that may significantly affect the risk profile of the customer or counterparty.

Portfolio analysis and reporting

Credit portfolios are actively monitored at each layer of the risk structure to ensure credit deterioration is quickly detected and mitigated through the implementation of remediation strategies.

The Bank's Risk Management Department undertakes regular and comprehensive analysis of the credit portfolio. Issue identification and adherence to performance benchmarks are reported to the Bank's CRO through a series of regular reports, with the Bank's CRO providing a comprehensive report analysing the credit portfolio to the Board on a quarterly basis. Using the Bank's Risk Management Department for analysis and reporting ensures an efficient and independent conduit to identify and communicate emerging credit issues to the Bank's executive team and the Board.

Problem credit facility management

Credit exposures are monitored regularly through the examination of irregular and delinquent accounts. This enables doubtful debts to be immediately identified so that specific provisions for potential losses can be established as early as possible. Problem credit facilities are monitored to ensure workout and collection and recovery strategies are established and enacted promptly to minimise risk of potential losses.

Concentration of credit risk

Concentration of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Bank monitors its portfolio to identify and assess risk concentrations. Concentration limits are used to guard against large single customer or correlated credit risks in relation to industry and country. These policies and limits are an important part of portfolio management objectives to create a diversified portfolio avoiding significantly large concentrations of economically related credit risk exposures. The Bank's executive team monitor large exposure concentrations and adherence to concentration limits through monthly reporting provided by the Bank's Risk Management Department. Any exceptions to the limits require prior Board approval.

Refer to Note 32 for the disclosure of concentration of credit exposures by industry and geographical area and to individual counterparties.

Maximum credit exposure and effect of collateral and other credit enhancements

The following table presents the maximum exposure to credit risk for on and off-balance sheet financial instruments before taking account of the financial effect of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in NZ IAS 32 Financial Instruments: Presentation.

The table also provides a quantification of the value of the financial charges the Bank holds over a borrower's specific asset (or assets) where the Bank is able to enforce the collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations. For the purposes of this disclosure, where the collateral held is valued at more than the corresponding credit exposure, the financial effect is capped at the value of the credit exposure. In respect of derivative financial instruments, the assessed collateral is the amount of cash collateral received and does not include the effect of any netting arrangements under ISDAs.

The Bank also manages its credit risk by accepting other types of collateral and credit enhancement such as guarantees and security interests over the assets of a customer's business. The assignable value of such credit mitigants is less certain and their financial effect has not been quantified for disclosure purposes. Credit exposures shown as not fully secured may benefit from such credit mitigants.

As at 30 April 2014	Maximum exposure to credit risk $000	Financial effect of collateral $000	Unsecured portion of credit exposure $000
On-balance sheet financial instruments			
Cash and balances with central banks	-	-	-
Due from other financial institutions	58,959	-	58,959
Trading securities	-	-	-
Derivative financial assets	-	-	-
Available-for-sale securities	-	-	-
Loans and advances	-	-	-
Due from related parties	12	-	12
Other financial assets	-	-	-
Total on-balance sheet financial instruments	**58,971**	**-**	**58,971**
Off-balance sheet financial instruments			
Credit related commitments and contingent liabilities	-	-	-
Total off-balance sheet financial instruments	-	-	-
Total exposure to credit risk	**58,971**	**-**	**58,971**

Nature of collateral and other credit enhancements

The nature of collateral or other credit enhancements taken to mitigate each financial asset class to which collateral is held as security or other credit enhancements exist is described below:

Due from other financial institutions	This balance sheet category includes reverse repurchase agreements which are fully collateralised by highly liquid debt securities which have been legally transferred to the Bank subject to an agreement to resell for a fixed price.
Derivative financial assets	Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. All netting arrangements are legally documented. The ISDA Master Agreements contractually bind both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur. The Bank also executes CSAs in conjunction with ISDA Master Agreements, which enables the Bank to obtain cash collateral against certain derivative financial assets.
Loans and advances	The most common types of collateral mitigating credit risk over loans and advances include security over real estate (including residential, commercial, industrial and rural property); cash (usually in the form of a charge over a deposit); and other security over business assets including specific plant and equipment, inventory and accounts receivable.

Credit quality of financial assets that are neither past due nor impaired

The credit quality of financial assets that were neither past due nor impaired as at 30 April 2014 has been assessed to be normal in that the customer or counterparty can honour the terms of their contractual obligation. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Market Risk

Market risk is the risk of loss, in respect of the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates and equity prices.

The Board is responsible for setting market risk policy. Within this policy, the Board sets limits on the value of market risk from market price movements that may be accepted. The Bank's ALCO is responsible for monitoring the Bank's market risk and supervising the implementation of the market risk policy. The Bank's ALCO receives monthly reporting to ensure market risk exposure remains within the risk appetite specified by the Board. The Bank's Risk Management Department is responsible for the day-to-day oversight of market risk and monitors and reports market risk limit utilisation on a daily basis. The Bank's Treasury function is responsible for managing the market risk positions of the Bank within the limits and for initiating the use of financial instruments to mitigate or hedge risks.

For the purposes of market risk management, the Bank makes a distinction between traded and non-traded market risks. Traded market risk covers market risk arising from discretionary trading activity, where there is both the ability and intention to trade in the specific financial instrument. Non-traded market risk covers all market risks which are not designated as traded market risk. The Bank does not currently conduct any discretionary trading activity and hence the market risks faced by the Bank are only of a non-traded nature.

The historical simulation model for Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its portfolio. VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices, over a specified time horizon and at a given level of confidence. The Bank's Risk Management Department calculates VaR on a daily basis for its portfolio at a confidence level of 99% and with a holding period of one day.

Details of the Bank's policies for management of market risk are set out below.

Interest rate risk

The Bank's non-traded interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities in the banking book. The Bank uses the following tools to monitor and manage its interest rate risk:

- Interest rate repricing gap limits: This includes both limits on the aggregate net position and limits applied to the short or long position for each repricing time bucket.
- Net Interest Income-at-Risk (NaR) limit: Limits on future net interest income sensitivity to an increase or decrease in market interest rates over a one-year time horizon using a 99% confidence level. A simulation model is used to calculate the Bank's potential NaR, which takes into account the projected levels and mix of balance sheet assets and liabilities. Simulations using a range of interest rate scenarios are used to provide a series of potential net interest income outcomes including 100 and 200 basis points shifts above and below current levels. Additional stressed interest rate scenarios are also considered and modelled.

Hedging of the Bank's exposure to interest rate risk is undertaken using derivatives. The hedge accounting strategy adopted is to utilise a combination of the cash flow and fair value hedge approaches. Some derivatives held for economic hedging purposes may not meet the criteria for hedge accounting and therefore are accounted for in the same way as derivatives held for trading.

Interest rate repricing gap analysis

The following table presents the Bank's assets and liabilities at their carrying amounts as at 30 April 2014, categorised by the earlier of the contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Bank's exposure to interest rate movements, are included under the heading "Non-interest bearing".

As at 30 April 2014	Up to 3 months $000	Over 3 months and up to 6 months $000	Over 6 months and up to 1 year $000	Over 1 year and up to 2 years $000	Over 2 years $000	Non-interest bearing $000	Total $000
Financial assets							
Cash and balances with central banks	-	-	-	-	-	-	-
Due from other financial institutions	58,959	-	-	-	-	-	58,959
Trading securities	-	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	12	12
Other financial assets	-	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-	-
Non-financial assets	-	-	-	-	-	-	-
Total assets	**58,959**	**-**	**-**	**-**	**-**	**12**	**58,971**
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Trading liabilities	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-
Deposits from customers	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	(337)	(337)
Other financial liabilities	-	-	-	-	-	-	-
Total financial liabilities	-	**-**	**-**	**-**	**-**	**(337)**	**(337)**
Non-financial liabilities	-	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**(337)**	**(337)**
On-balance sheet interest rate repricing gap	-	-	-	-	-	-	-
Net derivative notional principals	-	-	-	-	-	-	-
Net interest rate repricing gap	**58,959**	**-**	**-**	**-**	**-**	**(325)**	**58,634**

Interest rate sensitivity

The table below summarises the pre-tax sensitivity of financial assets and financial liabilities to an incremental 100 basis points parallel fall or rise in market interest rates across all yield curves. The sensitivity analysis is based on the Bank's financial instruments held at reporting date, which are assumed to remain constant. It is also assumed that all other variables remain constant and that the changes in market rates are effective for a twelve month period.

As at 30 April 2014	Carrying Amount $000	-1% Profit or loss $000	+1% Profit or loss $000	-1% Equity $000	+1% Equity $000
Financial assets	-	-	-	-	-
Cash and balances with central banks	-	-	-	-	-
Due from other financial institutions	58,959	(590)	590	(590)	590
Trading securities	-	-	-	-	-
Derivative financial assets	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-
Loans and advances	-	-	-	-	-
Due from related parties	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total financial assets	**58,959**	**(590)**	**590**	**(590)**	**590**
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Trading liabilities	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-
Deposits from customers	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Due to related parties	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**

Foreign Exchange Risk

Foreign exchange risk is the risk of loss due to changes in foreign exchanges rates as a result of a mismatch of foreign currency assets and liabilities. Foreign exchange mismatches can arise from the day to day purchase and sale of foreign currency, from deposit and lending activity in foreign currencies, international trade finance activities and from offshore funding by the Bank.

The Bank manages its foreign currency risk by using specified maximum aggregate exposure limits for defined currencies. It is also managed by using spot and forward exchange transactions, by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

Net open foreign currency position

The net open position in each foreign currency detailed in the table below represents the net of the non-derivative assets and liabilities in that foreign currency aggregated with the net expected future cash flows from derivative financial instrument purchases and sales from foreign exchange transactions in that foreign currency. The amounts are stated in New Zealand dollar equivalents translated using the spot exchange rates as at reporting date.

As at 30 April 2014	$000
Net open position	
Australian Dollar (AUD)	-
Canadian Dollar (CAD)	-
Chinese Yuan Renminbi (CNY)	-
Euro (EUR)	-
British Pound (GBP)	-
Hong Kong Dollar (HKD)	-
Japanese Yen (JPY)	-
Singapore Dollar (SGD)	-
US Dollar (USD)	-

Foreign exchange rate sensitivity

The table below summarises the pre-tax sensitivity of financial assets and financial liabilities to a 10% depreciation or appreciation in foreign exchange rates against the New Zealand Dollar. The sensitivity analysis is based on the Bank's financial instruments held at reporting date. It is assumed that all other variables remain constant.

As at 30 April 2014	Carrying Amount $000	-10% Profit or loss $000	+10% Profit or loss $000	-10% Equity $000	+10% Equity $000
Financial assets					
Cash and balances with central banks	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-
Trading securities	-	-	-	-	-
Derivative financial assets	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-
Loans and advances	-	-	-	-	-
Due from related parties	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**	**-**
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Trading liabilities	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-
Deposits from customers	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Due to related parties	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**

Equity Risk

Equity risk results from exposure to changes in market prices of equity investments held by the Bank. The Bank does not have any equity risk exposure as at 30 April 2014. A formal equity risk policy is in place which prevents the Bank transacting in equity instruments without the express approval of the Board.

Liquidity and Funding Risk

Liquidity risk is the risk that the Bank will be unable to fund assets and meet its obligations as they fall due without incurring unacceptable losses. Funding risk is the risk that the funding mix of the Bank is such that the Bank will have to pay higher than market rates for its funding or have difficulty raising funds. Liquidity and funding risk is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates.

The Bank has a policy to manage liquidity and funding risk which is approved by the Board. Day-to-day management of liquidity and funding risk is performed and reported by the Bank's Treasury function, with independent monitoring by the Bank's Risk Management Department. Oversight is provided by the Bank's ALCO, which receives monthly reporting to ensure liquidity and funding risk remains within the risk appetite specified by the Board.

The key objectives of the policy are:

- To ensure that cash flow commitments can be met as they fall due under both normal, stress and crisis conditions.
- To ensure that the Bank develops and protects a resilient and diversified funding base that is responsive to the Bank's needs.
- To ensure that policies and procedures in relation to liquidity and funding risk management are clearly documented and understood by those in the organisation with responsibility for managing liquidity and funding risk.

Regulatory supervision

The Bank is subject to the conditions of the Reserve Bank's liquidity policy as set out in BS13 *Liquidity Policy*. The Bank has the appropriate internal framework and tools for liquidity risk management to ensure compliance with these regulatory requirements, as well as internal targets and limits.

Monitoring and managing liquidity and funding risk

The Bank uses the following tools to monitor and manage its liquidity and funding risk including:

- Forecasting future cash requirements on a daily basis by constructing a maturity profile analysis to determine the net mismatch figure and informing the Bank of any liquidity and funding gaps in particular time bands. The cash flow projections take account of the expected behaviour of assets and liabilities where contractual maturities are unlikely to be a useful guide, and also consider contingent demands on liquidity.
- Limits to ensure the holding of readily realisable investment assets and deposits with high credit quality counterparties do not fall below prudent levels, as well as counterparty concentration limits.

- Limits to ensure a diverse and stable funding base, including in relation to source of funding and maturity profile mismatch gaps.
- Monitoring of compliance with the Reserve Bank's one-week mismatch ratio, one-month mismatch ratio and core funding ratio requirements on a daily basis.
- Scenario analysis (including stress scenarios) to support the Bank's understanding of its liquidity and funding risk and whether the Bank has the ability to meet cash outflows over a range of time horizons in a range of scenarios (including stress scenarios).
- Developing, maintaining and regularly testing a liquidity and funding contingency plan to enable the Bank to deal promptly and decisively in response to a liquidity and funding crisis. The contingency plan establishes the policies, responsibilities and plans designed to return the Bank to a robust position within its risk tolerance as quickly as possible.
- Maintaining an internal funding arrangement with the Ultimate Parent Bank to support the Bank's liquidity management.

Liquidity portfolio management

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

As at 30 April 2014	2014 $000
Cash and cash equivalents:	-
Cash and balances with central banks	-
Due from other financial institutions (call or original maturity of 3 months or less)	58,959
Reverse repurchase agreements	-
Government bonds, notes and securities	-
Local and semi-government bonds, notes and securities	-
Corporate and other institutions bonds, notes and securities	-
Total liquidity portfolio	**58,959**

Contractual maturity analysis of financial assets and financial liabilities

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

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

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

The Bank does not manage its liquidity risk on this basis.

As at 30 April 2014	On Demand $000	Up to 3 months $000	Over 3 months and up to 1 year $000	Over 1 year and up to 5 years $000	Over 5 years $000	Total $000	Carrying Amount $000
Non derivative financial assets							
Cash and balances with central banks	-	-	-	-	-	-	-
Due from other financial institutions	58,959	-	-	-	-	58,959	58,959
Trading securities	-	-	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Due from related parties	12	-	-	-	-	12	12
Other financial assets	-	-	-	-	-	-	-
Total non-derivative financial assets	**58,971**	**-**	**-**	**-**	**-**	**58,971**	**58,971**
Derivative financial assets							
Net settled	-	-	-	-	-	-	-
Gross settled – cash inflow	-	-	-	-	-	-	-
Gross settled – cash outflow	-	-	-	-	-	-	-
Total derivative financial assets	-	-	-	-	-	-	-
Non derivative financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Trading liabilities	-	-	-	-	-	-	-
Deposits from customers	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-
Due to related parties	(337)	-	-	-	-	(337)	(337)
Other financial liabilities	-	-	-	-	-	-	-
Total non-derivative financial liabilities	**(337)**	**-**	**-**	**-**	**-**	**(337)**	**(337)**
Derivative financial liabilities							
Net settled	-	-	-	-	-	-	-
Gross settled - cash inflow	-	-	-	-	-	-	-
Gross settled – cash outflow	-	-	-	-	-	-	-
Total derivative financial liabilities	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Off-balance sheet commitments and contingent liabilities							
Capital commitments	-	(1,045)	-	-	-	(1,045)	(1,045)
Leasing commitments	-	-	-	-	-	-	-
Commitments to extent credit	-	-	-	-	-	-	-
Financial guarantees	-	-	-	-	-	-	-
Standby letters of credit	-	-	-	-	-	-	-
Trade letters of credit	-	-	-	-	-	-	-
Non-financial guarantees	-	-	-	-	-	-	-
Other commitments	-	-	-	-	-	-	-
Total off-balance sheet commitments and contingent liabilities	**-**	**(1,045)**	**-**	**-**	**-**	**(1,045)**	**(1,045)**

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It also includes legal and regulatory risk to the extent that the impacts are related to operational risk events.

The Bank's Operational Risk Management Framework sets out the business requirements for managing operational risks across the Bank with respect to governance, risk and control assessments, incident and loss management, and reporting and monitoring.

Effective operational risk management within the Bank is based upon a three lines of defence model. The Bank's business line management are the first line of defence and are accountable for the management of their operational risks (including identification, measurement, monitoring and mitigation) on a day-to-day basis. Oversight and support is provided by the Bank's Risk Management Department (who report to the Bank's CRO) and the Bank's Finance Department (who report to the Bank's CFO). The Bank's Risk Management Department is responsible for establishing the Bank's Operational Risk Management Framework. Assurance is provided by the internal audit function.

Strategic and Business Risk

Strategic and business risk is the risk of loss resulting from changes in the business environment caused by factors such as economic conditions, competitive forces, social trends, technology or regulatory changes. Strategic and business risk is primarily managed by:

- Establishment and maintenance of an internal organisational environment in which strategic and business risk can meaningfully be managed.
- Establishment and maintenance of structures, measurement basis and risk management processes, including strategic planning and financial management, for the evaluation and management of strategic and business risks.
- Building capability within the Bank to enable both the pursuit of opportunities and mitigation of vulnerability.

Reputational Risk

Reputational risk is the risk of loss arising from an adverse perception of the Bank on the part of existing or potential stakeholders including customers, counterparties, employees, suppliers, and regulators. Reputational risk is primarily managed by:

- Awareness and application of policies and procedures regarding reputational risk and other material risks.
- Business line management and support functions (including the Risk Management Department) taking account of the Bank's reputation in all decision-making, including dealings with customers and suppliers.
- Reporting systems to ensure awareness of all potential reputational issues.
- Effective and proactive stakeholder management through on-going engagement.

37. CAPITAL ADEQUACY (UNAUDITED)

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

The Basel III standards for bank capital distinguish between Tier 1 and Tier 2 capital. Tier 1 capital is permanently and freely available to absorb losses without the bank being obliged to cease trading, while Tier 2 capital generally only absorbs losses in a winding up. Within Tier 1 capital, Common Equity (CET 1) has greater loss absorbing capability than the other Tier 1 instruments referred to as Additional Tier 1 (AT 1) capital. Common Equity and Additional Tier 1 capital primarily consists of shareholders' equity and other capital instruments acceptable to the Reserve Bank less intangible and deferred tax assets and other prescribed deductions. Tier 2 can comprise other capital instruments acceptable to the Reserve Bank. The Bank does not have any Tier 2 capital components.

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

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

In addition to minimum capital requirements, Basel III introduces a capital conservation buffer of 2.5 per cent of risk-weighted assets. There are increasing constraints on capital distributions where a bank's capital level falls within the buffer range, which are specified in the conditions of registration on page 7.

Capital management

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

The Board has ultimate responsibility for ensuring that the Bank has adequate overall capital in relation to its risk profile and establishes minimum internal capital levels and limits above the regulatory minimum to reduce the risk of breaching its conditions of registration. The Bank actively monitors its capital adequacy as part of the Bank's Internal Capital Adequacy Assessment Process ("ICAAP"), which complies with the requirements set out in the Reserve Bank document BS12 *Guidelines on Internal Capital Adequacy Assessment Process (ICAAP)*, and reports this on a regular basis to senior management and the Board. The Bank's ICAAP is a documented process that describes not only the risk appetite and tolerances of the Bank, but also the levels of capital held against risks, including credit, market, operational and other material risks.

The Bank's ICAAP is reviewed and approved at least annually by senior management and the Board and the process includes consideration of stress tests and future strategic requirements. The Bank also considers other stakeholders' requirements when managing capital.

The Bank manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders, return/issue capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes during the period ended 30 April 2014.

The following significant capital initiatives were undertaken during the period ended 30 April 2014 to actively manage regulatory capital:

Tier 1 capital: The Bank issued 100 ordinary shares on 30 January 2014 and 58,629,881 ordinary shares on 30 April 2014 to its immediate parent company, China Construction Bank Corporation (CCB). These shares were issued for $1.00 per share and the total consideration received was $58,629,981.

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital, risk-weighted assets and the capital adequacy ratios for the Bank as at 30 April 2014. During the period, the Bank complied in full with all externally imposed Reserve Bank capital requirements as set out in the Bank's conditions of registration.

Capital

The table below shows the qualifying capital for the Bank.

As at 30 April 2014	2014 $000
Tier One Capital	
Common Equity Tier One capital	
Issued and fully paid-up ordinary share capital	58,630
Retained earnings (net of appropriations)	4
Accumulated other comprehensive income and other disclosed reserves[1]	-
Less deductions from Common Equity Tier One capital:	
Intangible assets	-
Cash flow hedge reserve	-
Deferred tax assets	-
Total Common Equity Tier One capital	**58,634**
Additional Tier One capital	
Nil	-
Total Additional Tier One capital	**-**
Total Tier One capital	**58,634**
Tier Two capital	
Nil	-
Total Tier Two capital	**-**
Total capital	**58,634**

(1) Accumulated other comprehensive income and other disclosed reserves consist of available-for-sale revaluation reserve of $nil and cash flow hedge reserve of $nil.

Capital instruments

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

Refer to Note 23 for the material terms and conditions of the ordinary share capital. In addition, 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.

Reserves

The nature of each reserve included in capital for the Bank is disclosed in Note 24.

Credit risk

On-balance sheet exposures

As at 30 April 2014	Total exposure after credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Cash and gold bullion	-	-	-	-
Sovereigns and central banks	-	-	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	-	-	-	-
Banks	58,971	20%	11,794	944
Corporate	-	-	-	-
Residential mortgages not past due	-	-	-	-
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	-	-	-	-
Total on-balance sheet exposures	**58,971**	**20%**	**11,794**	**944**

Off-balance sheet exposures and market related contracts

As at 30 April 2014	Total exposure $000	Credit conversion factor %	Credit equivalent amount $000	Average risk weight %	Risk weighted exposure $000	Minimum Pillar 1 capital requirement $000
Direct credit substitute	-	100%	-	-	-	-
Asset sale with recourse	-	100%	-	-	-	-
Forward asset purchase	-	100%	-	-	-	-
Commitment with certain drawdown	-	100%	-	-	-	-
Note issuance facility	-	50%	-	-	-	-
Revolving underwriting facility	-	50%	-	-	-	-
Performance-related contingency	-	50%	-	-	-	-
Trade-related contingency	-	20%	-	-	-	-
Placements of forward deposits	-	100%	-	-	-	-
Other commitments where original maturity is more than one year	-	50%	-	-	-	-
Other commitments where original maturity is less than or equal to one year	-	20%	-	-	-	-
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%	-	-	-	-
Market related contracts[1]						
(a) Foreign exchange contracts	-	n/a	-	-	-	-
(b) Interest rate contracts	-	n/a	-	-	-	-
(c) Other – OTC etc.	-	n/a	-	-	-	-
Total off-balance sheet exposures	-		-	-	-	-

(1) The credit equivalent amount for market related contracts was calculated using the current exposure method.

Additional mortgage information

Residential mortgages by loan-to-valuation ratio

As at 30 April 2014	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan-to-valuation ratio				
On-balance sheet exposures	-	-	-	-
Off-balance sheet exposures	-	-	-	-
Value of exposures	-	-	-	-

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

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

Reconciliation of residential mortgage-related amount

As at 30 April 2014	2014 $000
Term loans – housing (as disclosed in Note 12) and Residential mortgages – total gross loans and advances (as disclosed in Note 13)	-
Reconciling items:	
Nil	-
Residential mortgages by loan-to-valuation ratio	-

Credit risk mitigation

As at 30 April 2014	Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting) $000	Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives $000
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	**-**	**-**

Operational risk

As at 30 April 2014	Implied weighted exposure $000	Total operational risk capital requirement $000
Operational risk	-	-

Market risk

	End-period capital charges		Peak end-of-day capital charge	
As at 30 April 2014	Implied risk weighted exposure $000	Aggregate capital charge $000	Implied risk weighted exposure $000	Aggregate capital charge $000
Interest rate risk	-	-	-	-
Foreign currency risk	-	-	-	-
Equity risk	-	-	-	-
Total	-	-	-	-

Peak end-of-day aggregate capital charge for each category of market risk is derived by determining the maximum over the relevant period of the aggregate capital charge at the close of each business day derived in accordance with Part 10 of the Reserve Bank document BS2A *Capital Adequacy Framework (Standardised Approach)*.

Total capital requirements

As at 30 April 2014	Total exposure after credit risk mitigation $000	Risk weighted exposure or implied risk weighted exposure $000	Total capital requirement $000
Total credit risk + equity	58,971	11,794	944
Operational risk	n/a	-	-
Market risk	n/a	-	-
Total	**58,971**	**11,794**	**944**

Capital requirements for other material risks (Pillar II)

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

The Bank's internal capital allocation for other material risks is $nil.

Capital ratios

As at 30 April 2014	The Bank %
Capital adequacy ratios	
Common Equity Tier 1 capital ratio	497.1%
Tier 1 capital ratio	497.1%
Total capital ratio	497.1%
Reserve Bank minimum ratio requirements	
Common Equity Tier 1 capital ratio	4.5%
Tier 1 capital ratio	6.0%
Total capital ratio	8.0%
Buffer ratio	
Buffer ratio	489.1%
Buffer ratio requirement	2.5%

Capital adequacy of Ultimate Parent Bank

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

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

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBRC as at 31 March 2014, the latest reporting date.

The capital ratios below as at 31 March 2014 have been calculated in accordance with *the Measures for Capital Management of Commercial Banks (Trial)*, issued by the CBRC. The capital ratios below as at 31 March 2013 have been calculated in accordance with *the Rules for Capital Management of Commercial Banks (Provisional)*, previously issued by the CBRC.

	As at 31 March 2014 % (Unaudited)	As at 31 March 2013 % (Unaudited)
Ultimate Parent Bank Group		
Common Equity Tier 1 capital ratio	11.11%	N/A
Core Tier 1 capital ratio	N/A	10.92%
Tier 1 capital ratio	11.11%	10.92%
Total capital ratio	13.50%	13.63%
Ultimate Parent Bank		
Common Equity Tier 1 capital ratio	10.79%	N/A
Core Tier 1 capital ratio	N/A	10.77%
Tier 1 capital ratio	10.79%	10.77%
Total capital ratio	13.21%	13.52%

38. EVENTS SUBSEQUENT TO THE REPORTING DATE

Deed of Guarantee

On 30 May 2014, the Bank entered into a Deed of Guarantee (“the Guarantee”) with the Ultimate Parent Bank, under which all obligations of the Bank are guaranteed by the Ultimate Parent Bank, subject to the terms of the Guarantee, which is included in Appendix 1 of the Bank’s Disclosure Statement.

Subject to the Guarantee:

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

Credit rating

On 15 July 2014, the Bank was assigned the following credit ratings by Standard & Poor's Ratings Services.

	Standard & Poor's Ratings Services
Long-term counterparty credit rating	A
Short-term counterparty credit rating	A-1
Outlook	Stable

Other

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF CHINA CONSTRUCTION BANK (NEW ZEALAND) LIMITED (PREVIOUSLY KNOWN AS CCB NEW ZEALAND LIMITED)

REPORT ON THE FIRST DISCLOSURE STATEMENT (EXCLUDING SUPPLEMENTAL INFORMATION RELATING TO CAPITAL ADEQUACY)

We have audited the accompanying first Disclosure Statement (excluding the information relating to Capital Adequacy) of China Construction Bank (New Zealand) Limited (previously known as CCB New Zealand Limited) (the "Bank") on pages 2 to 98.

The Disclosure Statement includes the financial statements of the Bank on pages 23 to 98 and supplementary information required to be disclosed under Schedules 2, 4, 7, 9, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (the "Order") on pages 54 to 98.

The financial statements of the Bank on pages 23 to 98 comprise the statement of financial position as at 30 April 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 30 January 2014 to 30 April 2014, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholder of the Bank, as a body. Our audit has been undertaken so that we might state to the Bank's shareholder those matters we are required to state to them in an auditor's 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's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The Directors of the Bank (the "Directors") are responsible for the preparation and presentation of the financial statements of the Bank in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the preparation and presentation of supplementary information which fairly states the matters required to be disclosed under Schedules 2, 4, 7, 9, 13, 14, 15 and 17 of the Order and which is prepared in accordance with any guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements and the supplementary information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order, prepared and presented by the Directors, and report our opinion in accordance with clause 2 of Schedule 1 of the Order. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary information, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate, and considers internal controls relevant to the entity's preparation of the supplementary information which fairly states the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements and the supplementary information.

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

Independence

Other than in our capacity as auditor, we do not have any relationships with or interests in the Bank.

Opinion

In our opinion, the financial statements on pages 23 to 98:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Bank as at 30 April 2014, and their financial performance and cash flows for the period then ended.

In our opinion, the supplementary information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order:

- has been prepared in accordance with the guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration, and is in accordance with the books and records of the Bank; and
- fairly states the matters to which it relates in accordance with those Schedules.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of section 16 of the Financial Reporting Act 1993, and clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by the Registered Bank and Banking Group as far as appears from our examination of those records.

REPORT ON THE SUPPLEMENTARY INFORMATION RELATING TO CAPITAL ADEQUACY

We have reviewed the supplemental information relating to Capital Adequacy on pages 91 to 98.

Directors' Responsibilities

The Directors are responsible for including supplementary information relating to Capital Adequacy prepared in accordance with Schedule 9 of the Order.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the supplementary information relating to Capital Adequacy based on our review.

We conducted our review in accordance with the Review Engagement Standards issued by the External Reporting Board.

We are responsible for reviewing the disclosures in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that it is not, in all material respects:

- prepared in accordance with the Bank's Conditions of Registration; and
- disclosed in accordance with Schedule 9 of the Order and for reporting our findings to you.

A review is limited primarily to inquiries of the Bank personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed audit procedures in respect of the Capital Adequacy disclosures and accordingly we do not express an audit opinion on these disclosures.

Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy disclosed on pages 91 to 98 of the Disclosure Statement, as required by Schedule 9 of the Order, is not, in all material respects:

- prepared in accordance with the Bank's Conditions of Registration; and
- disclosed in accordance with Schedule 9 of the Order.

Deloitte

Chartered Accountants
15 July 2014
Wellington, New Zealand

This report relates to the Disclosure Statement of China Construction Bank (New Zealand) Limited (previously known as CCB New Zealand Limited) dated 15 July 2014 included on the Bank's website. The Board of Directors is responsible for the maintenance and integrity of the Bank's website. We have not been engaged to report on the integrity of the Bank's website. We accept no responsibility for any changes that may have occurred to the Disclosure Statement since it was initially presented on the website. The audit report refers only to the Disclosure Statement named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this Disclosure Statement. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the Disclosure Statement and related audit report dated 15 July 2014 to confirm the information included in the Disclosure Statement presented on this website. Legislation in New Zealand governing the preparation and dissemination of the General Disclosure Statement may differ from legislation in other jurisdictions.