CCB 中国建设银行(新西兰)
China Construction Bank (New Zealand) Ltd.

# China Construction Bank (New Zealand) Limited

# Disclosure Statement

## For the six months ended 30 June 2016

# Table of Contents

## 1. General Information and Definitions

This Disclosure Statement has been issued by China Construction Bank (New Zealand) Limited (the "**Bank**") in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "**Order**").

In this Disclosure Statement:

- "Banking Group" refers to the Bank and its subsidiaries. As at the date of this Disclosure Statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;
- "Board" means the Board of Directors of the Bank; and
- "Reserve Bank" means the Reserve Bank of New Zealand.

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

This is a republished Disclosure Statement for the Bank. The original Disclosure Statement dated 22 August 2016, inadvertently contained the wrong value to be recognised for Tier 2 capital, which consequently increased the Total capital and Total capital ratio. This republication is to correct the Total capital position, which reduces by $4.2 million and Total capital ratio which reduces from 16.02% to 15.00%.

## 2. Corporate Information

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

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

## 3. Ultimate Parent and Holding Company

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

## 4. 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.

## 5. Directorate

Mr Xu Changning resigned as the Bank's Chief Executive Officer and Executive Director with effect from 30 June 2016. Mr Qixin Wang resigned from the Board effective 31 August 2016.

Mr Li Xingyao has been appointed as Acting Chief Executive Officer effective 1 July 2016 and Executive Director of the Bank, after receiving the non-objection notice from the RBNZ on 3 August 2016.

There have been no other changes to the composition of the Board since the publication of the 31 December 2015 full year Disclosure Statement.

This republished Disclosure Statement also includes a description of changes to the Board that occurred between 22 August 2016 and 17 October 2016.

### 5.1 Responsible Person

Mr Li Xingyao has been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank Act on behalf of the Directors, being:

Dame Jenny Shipley, John Shewan, Michael Allen and Yangtong Jin.

## 6. Credit Ratings

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

| | Standard & Poor's Ratings Services | Moody's Investors Service |
|---|---|---|
| Long-term credit rating | A | A1 |
| Short-term credit rating | A-1 | P-1 |
| Outlook | Stable | Negative |

There have been no changes to the above credit ratings since the ratings obtained on 15 July 2014 from Standard & Poor's and 30 April 2015 from Moody's respectively.

However, Moody's Investors Service on 2 March 2016 revised the Bank's rating outlook from stable to negative following the same change to the rating outlook for the Ultimate Parent Bank.

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

## 7. Guarantee Arrangements

### 7.1 Details of Guaranteed Obligations

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

A copy of the Deed of Guarantee given by CCB is provided in the Bank's Disclosure Statement for the year ended 31 December 2015 which can be obtained from the Bank's website http://nz.ccb.com or the Bank's registered office.

There have been no changes to the Deed of Guarantee since the 31 December 2015 full year Disclosure Statement was published.

Under the Guarantee:

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

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

(c) There are no material legislative or regulatory restrictions in China that would have the effect of subordinating the claims under the Guarantee of any of the Bank's creditors on the assets of the Ultimate Parent Bank, to other claims on the Ultimate Parent Bank in a winding up of the Ultimate Parent Bank since 31 December 2015.

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

Since 31 December 2015, there has been no material change in regulations, legislation or other restrictions of a legally enforceable nature that may materially inhibit the legal ability of CCB to provide material financial support to the Bank.

### 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 No. 25, Financial Street, Xicheng District, Beijing 100033, the People's Republic of China.

CCB has commenced implementation of the advanced measurement approaches for capital management from April 2014. As disclosed in CCB Group's unaudited consolidated results for the six months ended 30 June 2016, considering relevant rules under the transition period, CCB Group's total capital for capital adequacy purposes was RMB 1,697,254 million (NZD 350,452 million) and its total capital ratio was 15.09%.The capital ratio was calculated in accordance with the Capital Rules for Commercial Banks (Provisional) promulgated by the CBRC in June 2012.

This republished Disclosure Statement includes an update to the CCB Group's unaudited consolidated capital adequacy results for the six months ended 30 June 2016 that were published between 22 August 2016 and 17 October 2016.

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

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

There have been no changes to any of the above CCB credit ratings in the two years prior to 30 June 2016. On 2 March 2016, Moody's Investors Service revised the outlook from stable to negative on CCB's credit ratings while affirming the current ratings.

## 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 13 *Commitments and contingent liabilities* of the financial statements for the six months ended 30 June 2016 included within this Disclosure Statement.

## 9. Conditions of Registration

The RBNZ issued revised conditions of registration which were effective from 1 November 2015.

The revised conditions:

- Refer to revised versions of:
  - Capital Adequacy Framework (Standardised Approach) (BS2A);

  - Application for Capital Recognition or Repayment (BS16);
  - Framework for Restrictions on High-LVR Residential Mortgage Lending (BS19); and
  - Connected Exposures Policy (BS8);
- Impose revised high-LVR speed limits, in line with the revised BS19, and remove certain conditions;
- Include in the conditions that the bank must receive a notice of non-objection from the RBNZ before recognising an Additional Tier 1 or Tier 2 instrument as capital and to apply certain notification and capital repayment approval obligations on the bank; and
- Remove superseded references to the Financial Reporting Act 1993.

The Bank has complied with all conditions of registration over the accounting period.

## 10. Other Material Matters

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

## 11. Auditor

The appointed auditor for the Bank is PricewaterhouseCoopers ("PwC"). The auditor's address is PwC Tower, 188 Quay Street, Auckland 1010, New Zealand.

## 12. Directors' Statement

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

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

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

Each Director of the Bank believes, after due enquiry that, for the six months ended 30 June 2016:

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

(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 17 October 2016 and has been signed by Mr Li Xingyao as the responsible person for and on behalf of all the Directors (by Directors' resolution):

**Mr Li Xingyao**
**Executive Director**

# Statement of Comprehensive Income

| For the six months ended | Note | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 |
|---|---|---|---|
| Interest income | | 8,616 | 1,386 |
| Interest expense | | (5,346) | (249) |
| **Net Interest Income** | | **3,270** | **1,137** |
| Net non-interest (expense)/income | 2 | (365) | 159 |
| **Total operating income** | | **2,905** | **1,296** |
| Operating expenses | | (4,484) | (3,118) |
| Impairment losses on loans and advances | 3 | (86) | (28) |
| **Loss before income tax** | | **(1,665)** | **(1,850)** |
| Income tax expense | | - | - |
| **Loss after income tax** | | **(1,665)** | **(1,850)** |
| **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** | | - | - |
| **Total other comprehensive loss, net of tax** | | - | - |
| **Total comprehensive loss** | | **(1,665)** | **(1,850)** |

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# Statement of Changes in Equity

| For the six months ended 30 June 2016 (Unaudited) | Note | Share Capital $000 | Accumulated Losses $000 | Total $000 |
|---|---|---|---|---|
| Balance at the beginning of the period | | 58,630 | (5,451) | 53,179 |
| Loss after income tax | | - | (1,665) | (1,665) |
| Other comprehensive income | | - | - | - |
| **Total comprehensive income for the period** | | **-** | **(1,665)** | **(1,665)** |
| Transactions with owners: | | | | |
| Ordinary share capital issued | | - | - | - |
| Dividends paid on ordinary shares | | - | - | - |
| **Balance as at 30 June 2016** | | **58,630** | **(7,116)** | **51,514** |

| For the six months ended 30 June 2015 (Unaudited) | Note | Share Capital $000 | Accumulated Losses $000 | Total $000 |
|---|---|---|---|---|
| Balance at the beginning of the period | | 58,630 | (707) | 57,923 |
| Loss after income tax | | - | (1,850) | (1,850) |
| Other comprehensive income | | - | - | - |
| **Total comprehensive income for the period** | | **-** | **(1,850)** | **(1,850)** |
| Transactions with owners: | | | | |
| Ordinary share capital issued | | - | - | - |
| Dividends paid on ordinary shares | | - | - | - |
| **Balance as at 30 June 2015** | | **58,630** | **(2,557)** | **56,073** |

| For the year ended 31 December 2015 (Audited) | Note | Share Capital $000 | Accumulated Losses $000 | Total $000 |
|---|---|---|---|---|
| Balance at the beginning of the period | | 58,630 | (707) | 57,923 |
| Loss after income tax | | - | (4,744) | (4,744) |
| Other comprehensive income | | - | - | - |
| **Total comprehensive income for the period** | | **-** | **(4,744)** | **(4,744)** |
| Transactions with owners: | | | | |
| Ordinary share capital issued | | - | - | - |
| Dividends paid on ordinary shares | | - | - | - |
| **Balance as at 31 December 2015** | | **58,630** | **(5,451)** | **53,179** |

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# Balance Sheet

| As at | Note | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central bank | 4 | 26,279 | - | 20,001 |
| Due from other financial institutions | | 40,180 | 138,321 | 64,820 |
| Derivative financial assets | | 2,817 | 406 | 958 |
| Loans and advances | 6 | 390,035 | 30,956 | 306,666 |
| Due from related parties | 10 | 2,369 | - | 6,956 |
| Other assets | | 123 | 124 | 108 |
| Property, plant and equipment | | 2,063 | 2,472 | 2,371 |
| Intangible assets | | 56 | 53 | 64 |
| Deferred tax assets | | - | - | - |
| **Total assets** | | **463,922** | **172,332** | **401,944** |
| **Liabilities** | | | | |
| Due to other financial institutions | | 53,058 | - | 14,512 |
| Derivative financial liabilities | | 235 | - | 1,870 |
| Deposits from customers | 8 | 64,149 | 38,760 | 97,460 |
| Debt securities issued | 9 | 166,353 | 76,962 | 124,541 |
| Due to related parties | 10 | 112,976 | - | 109,661 |
| Subordinated Debt | 10 | 15,142 | - | - |
| Other liabilities | | 495 | 537 | 721 |
| **Total liabilities** | | **412,408** | **116,259** | **348,765** |
| **Shareholder's equity** | | | | |
| Share capital | | 58,630 | 58,630 | 58,630 |
| Accumulated losses | | (7,116) | (2,557) | (5,451) |
| **Total shareholder's equity** | | **51,514** | **56,073** | **53,179** |
| **Total liabilities and shareholder's equity** | | **463,922** | **172,332** | **401,944** |
| Total interest earning and discount bearing assets | | 458,545 | 169,163 | 397,907 |
| Total interest and discount bearing liabilities | | 408,098 | 115,188 | 344,566 |

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# Cash Flow Statement

| For the six months ended | Note | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | 8,414 | 1,417 |
| Interest paid | | (2,073) | (77) |
| Non-interest income received | | 682 | 179 |
| Non-interest expenses paid | | (2,678) | - |
| Operating expenses paid | | (4,355) | (2,961) |
| Income taxes paid | | - | - |
| **Net cash flows from operating activities before changes in operating assets and liabilities** | | **(10)** | **(1,442)** |
| Net changes in operating assets and liabilities: | | | |
| Net decrease/(increase): | | | |
| GST receivable | | 21 | 37 |
| Other assets | | (36) | 49 |
| Loans and advances | | (83,278) | (27,101) |
| Due from related parties | | (1,331) | 11,853 |
| Net increase/(decrease): | | | |
| Due to other financial institutions | | 38,500 | (33,146) |
| Other liabilities | | - | (59) |
| Deposits from customers | | (33,250) | 38,188 |
| **Net changes in operating assets and liabilities** | | **(79,374)** | **(10,179)** |
| **Net cash flows used in operating activities** | 12 | **(79,384)** | **(11,621)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (41) | (1,340) |
| Purchase of intangible assets | | - | (7) |
| **Net cash flows used in investing activities** | | **(41)** | **(1,347)** |
| **Cash flows from financing activities** | | | |
| Net increase in due to related parties | | 18,281 | (616) |
| Net increase in debt issues | | 40,000 | 76,420 |
| Interest paid on financing activities | | (3,139) | - |
| **Net cash flows provided by financing activities** | | **55,142** | **75,804** |
| Net (decrease)/increase in cash and cash equivalents | | (24,283) | 62,836 |
| Cash and cash equivalents at beginning of the period | | 91,670 | 75,414 |
| **Cash and cash equivalents at end of the period** | | **67,387** | **138,250** |
| **Cash and cash equivalents at end of the period comprise:** | | | |
| Due from other financial institutions (call or original maturity of 3 months or less) excluding interest receivable [1] | | 40,180 | 138,250 |
| Cash and balances with central banks | | 26,279 | - |
| Due from related parties (nostro balance account held with Ultimate Parent Bank) | | 928 | - |
| **Cash and cash equivalents at end of the period** | | **67,387** | **138,250** |

(1) The amount 'Due from other financial institutions (call or original maturity of 3 months or less) excluding interest receivable' above does not equal the 'Due from other financial institutions' on the balance sheet due to accrued interest of Nil as at 30 June 2016 and $103k as at 30 June 2015 respectively.

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## 1. Statement of Accounting Policies

### 1.1 Reporting Entity

These condensed interim financial statements ("interim financial statements") for the six months ended 30 June 2016, have been prepared in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "**Order**").

They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for profit-oriented entities and the New Zealand equivalent to NZ IAS 34 *Interim Financial Reporting*. These financial statements comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

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

They were approved for issue by the Board of Directors of the Bank (the "Board") on 17 October 2016.

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Bank's financial statements for year ending 31 December 2015.

### 1.2 Basis of Preparation

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

The going concern and the accrual basis of accounting have been adopted. All amounts expressed in thousands of New Zealand Dollars, unless otherwise stated.

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the full year ended 31 December 2015.

There have been no material changes to accounting policies during the six months ended 30 June 2016. All policies have been applied on a consistent basis with those used in the financial year ended 31 December 2015.

## 2. Non-Interest (Expense)/Income

| For the six months ended | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 |
|---|---|---|
| **Fees and commissions** | | |
| Lending and credit facility related fee income | 640 | 174 |
| Commission income | 13 | - |
| **Total fees and commissions** | **653** | **174** |
| | | |
| **Net ineffectiveness on qualifying hedges** | **7** | **(21)** |
| | | |
| **Other non-interest (expense)/income** | | |
| Net unrealised (losses)/gains on derivatives at fair value | (1,025) | 6 |
| **Total other non-interest (expense)/income** | **(1,025)** | **6** |
| | | |
| **Total non-interest (expense)/income** | **(365)** | **159** |

## 3. Impairment Losses on Loans and Advances

| For the six months ended 30 June 2016 (Unaudited) | Residential mortgage loans $000 | Corporate exposures $000 | Other exposures $000 | Total credit exposures $000 |
|---|---|---|---|---|
| Movement in collectively assessed provisions | 65 | 21 | - | 86 |
| 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** | **65** | **21** | **-** | **86** |

| For the six months ended 30 June 2015 (Unaudited) | Residential mortgage loans $000 | Corporate exposures $000 | Other exposures $000 | Total credit exposures $000 |
|---|---|---|---|---|
| Movement in collectively assessed provisions | 3 | 25 | - | 28 |
| 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** | **3** | **25** | **-** | **28** |

## 4. Cash and balances with Central Bank

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| Call deposits and settlement account balance with central bank | 26,279 | - | 20,001 |
| **Total cash and balances with central bank** | **26,279** | **-** | **20,001** |

## 5. Financial Assets Pledged as Collateral

The Bank did not have any collateral pledged to derivative counterparties or arising from reverse repurchase agreements as at 30 June 2016 (30 June 2015: nil, 31 December 2015: nil).
The fair value of any collateral held which has been sold or re-pledged as at 30 June 2016 is nil (30 June 2015: nil, 31 December 2015: nil).

## 6. Loans and Advances

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| Term loans – residential mortgages | 137,488 | 2,743 | 71,961 |
| Term loans – non-residential | 252,939 | 28,244 | 235,012 |
| **Total gross loans and advances** | **390,427** | **30,987** | **306,973** |
| Provisions for impairment losses on loans and advances | (392) | (31) | (306) |
| **Total net loans and advances** | **390,035** | **30,956** | **306,666** |

## 7. Asset Quality

| As at 30 June 2016 (Unaudited) | Residential mortgages $000 | Corporate exposures $000 | Other exposures $000 | Total credit exposures $000 |
|---|---|---|---|---|
| **Neither past due nor impaired** | **137,485** | **252,939** | **-** | **390,424** |
| **Past due but not impaired** | - | - | - | - |
| Less than 30 days past due | 3 | - | - | 3 |
| 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** | **3** | **-** | **-** | **3** |
| **Individually impaired assets** | | | | |
| Balance at beginning of the period | - | - | - | - |
| Additions | - | - | - | - |
| Amounts written off | - | - | - | - |
| Deletions | - | - | - | - |
| **Total individually impaired assets** | **-** | **-** | **-** | **-** |
| **Total gross loans and advances** | **137,488** | **252,939** | **-** | **390,427** |
| **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 | 72 | 234 | - | 306 |
| Charge (credit) to impairment losses on loans and advances in profit or loss | 65 | 21 | - | 86 |
| **Balance at end of the period** | **137** | **255** | **-** | **392** |
| **Total provisions for impairment losses on loans and advances** | **137** | **255** | **-** | **392** |
| **Total net loans and advances** | **137,351** | **252,684** | **-** | **390,035** |

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.*

2. *Undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired were nil as at 30 June 2016 (30 June 2015: nil, 31 December 2015: nil). The Bank did not have other assets under administration as at 30 June 2016 (30 June 2015: nil, 31 December 2015: nil).*

## 8. Deposits from Customers

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| Demand deposits not bearing interest | - | - | - |
| Demand deposits bearing interest | 33,053 | 689 | 34,780 |
| Term deposits | 31,096 | 38,071 | 62,680 |
| **Total deposits from customers** | **64,149** | **38,760** | **97,460** |

## 9. Debt Securities Issued

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| **Short term debt** | | | |
| Registered certificate of deposits | 29,800 | - | - |
| **Total short term debt** | **29,800** | **-** | **-** |
| | | | |
| **Long term debt** | | | |
| Domestic medium-term notes | 136,553 | 76,962 | 124,541 |
| **Total long term debt** | **136,553** | **76,962** | **124,541** |
| **Total debt securities issued** | **166,353** | **76,962** | **124,541** |
| | | | |
| Debt securities issued at amortised cost | 166,353 | 76,962 | 124,541 |
| **Total debt securities issued** | **166,353** | **76,962** | **124,541** |
| | | | |
| **Movement in debt securities issued** | | | |
| Balance at beginning of the period/year | 124,541 | - | - |
| Issuance during the period/year | 39,838 | 76,539 | 123,813 |
| Repayments during the period/year | - | - | - |
| Effect of fair value hedge adjustment & amortisation | 1,974 | 423 | 728 |
| **Balance at end of the period/year** | **166,353** | **76,962** | **124,541** |

## 10. Related Party Transactions

The Bank is a wholly owned subsidiary of CCB, a company incorporated in China. The Ultimate Parent Bank of the Bank is also CCB. The Ultimate Parent Bank Group refers to the Ultimate Parent Bank and its subsidiaries. As at 30 June 2016, the Bank had no controlled entities.

### Transactions with related parties

| For the six months ended | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 |
|---|---|---|
| **Interest income** | | |
| Received from Ultimate Parent Bank | 21 | 58 |
| Received from other related parties | - | - |
| **Interest expense** | | |
| Paid to Ultimate Parent Bank | (155) | - |
| Paid to other related parties | (801) | - |
| **Non-interest income** | | |
| Received from Ultimate Parent Bank | 395 | - |
| Received from other related parties | - | - |
| **Operating expenses** | | |
| Paid to Ultimate Parent Bank | - | - |
| Paid to other related parties (branches) | - | - |

### Balances with related parties

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| **Due from related parties** | | | |
| Due from Ultimate Parent Bank | 2,369 | - | 6,956 |
| Due from other related parties | - | - | - |
| **Total Related Party Assets** | **2,369** | **-** | **6,956** |
| **Due to related parties** | | | |
| Due to Ultimate Parent Bank | 14,115 | - | 80,449 |
| Due to other related parties | 98,861 | - | 29,212 |
| **Total Related Party Liabilities** | **112,976** | **-** | **109,661** |
| **Subordinated Debt** | | | |
| Subordinated Debt with Ultimate Parent Bank | 15,142 | - | - |
| **Total Subordinated Debt with Ultimate Parent Bank** | **15,142** | **-** | **-** |
| **Derivative financial liabilities** | | | |
| Derivative with Ultimate Parent Bank | 395 | - | (90) |
| **Total Derivative Financial Assets/(Liabilities) with Related Parties** | **395** | **-** | **(90)** |

There were no debts with any related parties written off or forgiven during the six months ended 30 June 2016 (30 June 2015: nil, 31 December 2015: nil). No provisions for impairment loss have been recognised in respect of loans given to related parties as at 30 June 2016 (30 June 2015: nil, 31 December 2015: nil).

### 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.

### Ultimate Parent Bank

The Bank made loans to the Ultimate Parent Bank. These loans were made in the normal course of business and were at arms-length. Interest income was derived on these loans and included within the Statement of Comprehensive Income. The loan balance as at 30 June 2016 is $179,002 (30 June 2015: nil, 31 December 2015: $106,930).

The Bank holds nostro accounts with the Ultimate Parent Bank. The total balance as at 30 June 2016 is $927,628 (30 June 2015: nil, 31 December 2015: $6,848,646). Also, the Bank has a placement with Ultimate Parent Bank of $1,258,295 with accrued interest $3,899 related to an AUD customer deposit (30 June 2015: nil, 31 December 2015: nil).

The Bank has borrowed funds from the Ultimate Parent Bank and from other Related Parties. These borrowings are made in the normal course of business and are at arms-length. Interest charged on these borrowings is included the Statement of Comprehensive Income as interest expense. During this period, the Bank has borrowed US $10,000,000 from the Ultimate Parent Bank and US $80,000,000 from other Related Parties and repaid US $85,000,000 to other Related Parties, inclusive of interest of $155,000 and $801,000 respectively. (30 June 2015: the Set-up Funding of $616,000 was repaid in May 2015, 31 December 2015: $80,449,000 due to Ultimate Parent Bank and $29,212,000 due to other related parties respectively, inclusive of interest of $221,000 and $131,000)

The Bank has a $395,000 unrealised revaluation profit on derivative deals with the Ultimate Parent Bank as at 30 June 2016. This is included in derivative financial assets in the Balance sheet (30 June 2015: nil, 31 December 2015: ($90,000)).

## 11. Fair Value of Financial Instruments

### Classification of financial instruments and estimates of fair value

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used in the fair value estimates are described on pages 56 and 57 of the full year ended 31 December 2015 Disclosure Statement.

### Fair value hierarchy of financial instruments measured at fair value

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

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

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

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

***"Level 1" – Quoted market price***

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

### *"Level 2" – Valuation technique using observable inputs*

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

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

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

The following table presents an analysis by level in the fair value hierarchy of the financial instruments that are recognised and measured at fair value on a recurring basis.

| As at 30 June 2016 (Unaudited) | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative financial assets | - | 2,817 | - | 2,817 |
| **Total financial assets carried at fair value** | **-** | **2,817** | **-** | **2,817** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 235 | - | 235 |
| **Total financial liabilities carried at fair value** | **-** | **235** | **-** | **235** |

| As at 30 June 2015 (Unaudited) | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative financial assets | - | 406 | - | 406 |
| **Total financial assets carried at fair value** | **-** | **406** | **-** | **406** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | - | - | - |
| **Total financial liabilities carried at fair value** | **-** | **-** | **-** | **-** |

| As at 31 December 2015 (Audited) | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative financial assets | - | 958 | - | 958 |
| **Total financial assets carried at fair value** | **-** | **958** | **-** | **958** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 1,870 | - | 1,870 |
| **Total financial liabilities carried at fair value** | **-** | **1,870** | **-** | **1,870** |

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

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## Fair value of financial instruments not measured at fair value

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

| | Unaudited 30 June 2016 | | Unaudited 30 June 2015 | | Audited 31 December 2015 | |
|---|---|---|---|---|---|---|
| As at | Fair Value $000 | Carrying amount $000 | Fair Value $000 | Carrying amount $000 | Fair Value $000 | Carrying amount $000 |
| **Financial assets** | | | | | | |
| Cash and balances with central banks | 26,279 | 26,279 | - | - | 20,001 | 20,001 |
| Due from other financial institutions | 40,180 | 40,180 | 138,321 | 138,321 | 64,820 | 64,820 |
| Loans and advances | 428,140 | 390,035 | 31,383 | 30,956 | 320,588 | 306,666 |
| Due from related parties | 2,369 | 2,369 | - | - | 6,956 | 6,956 |
| **Total financial assets not measured at fair value** | **496,968** | **458,863** | **169,704** | **169,277** | **412,365** | **398,443** |
| **Financial liabilities** | | | | | | |
| Due to other financial institutions | 53,058 | 53,058 | - | - | 14,512 | 14,512 |
| Deposits from customers | 64,719 | 64,149 | 38,999 | 38,760 | 97,926 | 97,460 |
| Due to related parties | 114,133 | 112,976 | - | - | 105,561 | 109,661 |
| Debt securities issued at amortised cost | 169,870 | 166,353 | 77,056 | 76,962 | 128,282 | 124,541 |
| Subordinated Debt | 17,974 | 15,142 | - | - | - | - |
| Other liabilities | 41 | 41 | 456 | 456 | 223 | 223 |
| **Total financial liabilities not measured at fair value** | **419,795** | **411,719** | **116,511** | **116,178** | **346,504** | **346,397** |

For cash and balances with central banks, due from/to other financial institutions and non-derivative balances due from/to related parties which are carried at amortised cost and other types of short term financial instruments recognised in the balance sheet under "other assets" and "other liabilities", the carrying amounts are considered to approximate the fair values. These financial instruments are either short-term in nature, or re-price frequently and are of a high credit rating. A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 23 "Fair Value of Financial Instruments" in the Bank's full year disclosure statement for the year ended 31 December 2015.

The Bank determines the valuation of financial instruments classified as level 2 as per the following:

### *Derivative financial instruments*

Fair value is obtained from quoted market prices and discounted cash flow models or option pricing models as appropriate.

## 12. Net Cash Flows used in Operating Activities

| For the six months ended | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 |
|---|---|---|
| **Reconciliation of loss after income tax to net cash flows used in operating activities** | | |
| Loss after income tax | (1,665) | (1,850) |
| **Adjustments:** | | |
| Impairment losses on loans and advances | 86 | 28 |
| Depreciation and amortisation | 357 | 156 |
| Deduct/(add) items reclassified as financial activities | 3,662 | - |
| Net (increase)/decrease in operating assets: | | |
| Due from other financial institutions | | 65 |
| GST receivable | 21 | 37 |
| Loans and advances | (83,455) | (27,159) |
| Due from related parties[1] | (1,331) | 11,882 |
| Other assets | (36) | 49 |
| Derivative financial assets | (1,859) | - |
| Net increase/(decrease) in operating liabilities: | | |
| Due to other financial institutions | 38,546 | (33,166) |
| Deposits from customers | (33,311) | 38,259 |
| Debt securities issued | 1,464 | - |
| Derivative financial liabilities | (1,635) | 17 |
| Other liabilities | (228) | (59) |
| Other non-cash movements | - | 120 |
| **Net cash flows used in operating activities** | **(79,384)** | **(11,621)** |

*(1) The amount of due from related parties excludes nostro balances held with Ultimate Parent Bank*

## 13. Commitments and Contingent Liabilities

### Capital commitments

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| **Capital expenditure commitments** | | | |
| Property, plant and equipment | 37 | - | - |
| Intangible assets | - | - | - |
| **Total** | **37** | **-** | **-** |

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### Leasing commitments

The following non-cancellable operating lease commitments existed as at balance date.

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| **Future aggregate minimum lease payments under non-cancellable operating leases:** | | | |
| No later than 1 year | 1,006 | 938 | 1,016 |
| Later than 1 year and no later than 5 years | 3,788 | 3,597 | 3,817 |
| Later than 5 years | - | 886 | 473 |
| **Total** | **4,794** | **5,421** | **5,306** |

Leasing commitments relate to rental of the Bank's premises and computer equipment.

### 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.

The Bank has credit related commitments and contingent liabilities as at 30 June 2016 of $114,048,000 (30 June 2015: $27,605,000, 31 December 2015: $48,435,000).

Credit related commitments (contractual or notional amount) and contingent liabilities arising in respect of the Bank's operations as at balance date was:

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| Financial guarantees | 847 | - | 80 |
| Standby letters of credit | - | - | 391 |
| Trade letters of credit | 25 | - | 703 |
| Non-financial guarantees | 508 | - | 277 |
| **Total contingent liabilities** | **1,380** | **-** | **1,451** |
| Undrawn Commitments | 112,668 | 27,605 | 46,984 |
| **Total contingent liabilities and undrawn commitments** | **114,048** | **27,605** | **48,435** |

### Other contingent liabilities

There were no other contingent liabilities as at 30 June 2016 (30 June 2015: nil, 31 December 2015: nil).

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## 14. Concentration Of Credit Exposures

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

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

| As at 30 June 2016 | Cash and balances with central banks $000 | Due from other financial institutions $000 | Derivative financial assets $000 | Loans and advances $000 | Other financial assets $000 | Total (on-balance sheet) $000 | Credit commitments and contingent liabilities $000 |
|---|---|---|---|---|---|---|---|
| **Industry sector** | | | | | | | |
| Agriculture | - | - | - | 28,245 | - | 28,245 | - |
| Manufacturing | - | - | - | - | - | - | 20,000 |
| Electricity, gas, water and waste services | - | - | - | 119,528 | - | 119,528 | 30,880 |
| Construction | - | - | - | 55,583 | - | 55,583 | 48,304 |
| Accommodation and food services | - | - | - | 6,683 | - | 6,683 | - |
| Financial and insurance services | 26,279 | 40,180 | 2,482 | - | - | 68,941 | - |
| Rental, hiring and real estate services | - | - | 335 | 42,900 | - | 43,235 | - |
| Arts and Recreation Services | - | - | - | - | - | - | 8,500 |
| Personal lending | | | | 137,488 | - | 137,488 | 6,364 |
| **Subtotal** | **26,279** | **40,180** | **2,817** | **390,427** | **-** | **459,703** | **114,048** |
| Provisions for impairment losses on loans and advances | - | - | - | (392) | - | (392) | - |
| Due from related parties | - | - | - | - | 2,369 | 2,369 | - |
| **Total credit exposures** | **26,279** | **40,180** | **2,817** | **390,035** | **2,369** | **461,680** | **114,048** |
| | | | | | | | |
| **Geographical area** | | | | | | | |
| New Zealand | 26,279 | 40,180 | 2,817 | 390,035 | - | 459,311 | 114,048 |
| Overseas | - | - | - | - | 2,369 | 2,369 | - |
| **Total credit exposures** | **26,279** | **40,180** | **2,817** | **390,035** | **2,369** | **461,680** | **114,048** |

### 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 June 2016 was nil; and
- In respect of peak end-of-day aggregate credit exposure for the relevant three month period 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:

| | Unaudited 30 June 2016 | | | | | Unaudited 30 June 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Non-Bank Counterparties | | | | | Number of Non-Bank Counterparties | | | |
| **Percentage of Shareholder's Equity** | **"A" Rated** | **"B" Rated** | **Un-rated** | **Total** | **Percentage of Shareholder's Equity** | **"A" Rated** | **"B" Rated** | **Un-rated** | **Total** |
| **As at Balance Date** | | | | | **Peak Exposure** | | | | |
| 10% - 14% | - | - | 6 | 6 | 10% - 14% | - | - | 6 | 6 |
| 15% - 19% | - | - | 4 | 4 | 15% - 19% | - | - | 5 | 5 |
| 20% - 24% | - | - | 1 | 1 | 20% - 24% | - | - | 1 | 1 |
| 25% - 29% | - | - | 1 | 1 | 25% - 29% | - | - | 1 | 1 |
| 30% - 34% | - | - | 1 | 1 | 30% - 34% | - | - | 1 | 1 |
| 35% - 39% | - | - | - | - | 35% - 39% | - | - | - | - |
| 40% - 44% | - | - | - | - | 40% - 44% | - | - | - | - |
| 45% - 49% | - | - | - | - | 45% - 49% | - | - | - | - |
| 50% - 54% | - | - | - | - | 50% - 54% | - | - | - | - |
| 55% - 59% | - | - | - | - | 55% - 59% | - | - | - | - |
| 60% - 64% | - | - | - | - | 60% - 64% | - | - | - | - |
| 65% - 69% | - | - | - | - | 65% - 69% | - | - | - | - |
| 70% - 74% | - | - | - | - | 70% - 74% | - | - | - | - |
| 75% - 79% | - | - | - | - | 75% - 79% | - | - | - | - |
| 80% - 84% | - | - | - | - | 80% - 84% | - | - | - | - |
| 85% - 89% | - | - | - | - | 85% - 89% | - | - | - | - |
| 90% - 94% | - | - | 1 | 1 | 90% - 94% | - | - | 1 | 1 |
| 95% - 99% | - | - | - | - | 95% - 99% | - | - | - | - |
| 100% - 104% | - | - | - | - | 100% - 104% | - | - | - | - |
| 105% - 109% | - | 1 | - | 1 | 105% - 109% | - | 1 | - | 1 |
| 110% - 114% | - | - | - | - | 110% - 114% | - | - | - | - |
| 115% - 119% | - | - | - | - | 115% - 119% | - | - | - | - |
| 120% - 124% | - | - | - | - | 120% - 124% | - | - | - | - |
| 125% - 129% | - | - | - | - | 125% - 129% | - | - | - | - |
| 130% - 134% | - | - | - | - | 130% - 134% | - | - | - | - |
| 135% - 139% | - | - | - | - | 135% - 139% | - | - | - | - |
| 140% - 144% | - | - | - | - | 140% - 144% | - | - | - | - |
| 145% - 149% | - | - | - | - | 145% - 149% | - | - | - | - |
| 150% - 154% | - | - | - | - | 150% - 154% | - | - | - | - |
| **Total** | **-** | **1** | **14** | **15** | **Total** | **-** | **1** | **15** | **16** |

***Note:***

***"A"** Rated - those counterparties that have a long-term credit rating of A- or A3 or above, or its equivalent*

*"B" Rated - those counterparties that have a long-term credit rating of at least BBB- or Baa3, or its equivalent, and at most BBB+ or Baa1, or its equivalent.*

***Unrated** - those counterparties that do not have a long-term credit rating.*

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 for the relevant three month period and then dividing that by Shareholder's Equity as at the end of the quarter.

## 15. 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 June 2016 $000 |
|---|---|
| **Total funding comprises** | |
| Due to other financial institutions | 53,058 |
| Deposits from customers | 64,149 |
| Debt securities issued | 166,353 |
| Due to related parties | 128,118 |
| **Total funding** | **411,678** |
| | |
| **Concentration of funding by industry sector** | |
| Agriculture | 716 |
| Forestry and fishing | 116 |
| Construction | 8,630 |
| Retail trade | 134 |
| Financial and insurance services | 234,886 |
| Rental, hiring and real estate services | 23,670 |
| Households | 5,374 |
| Other | 10,034 |
| **Subtotal** | **283,560** |
| Due to related parties | 128,118 |
| **Total funding** | **411,678** |
| | |
| **Concentration of funding by geographical areas**[1] | |
| New Zealand | 238,691 |
| China | 172,987 |
| Rest of Overseas | - |
| **Total funding** | **411,678** |

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

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## 16. 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

## 17. Risk Management

There have been no material changes to the risk management policies and no new categories of risk to which the Bank has become exposed to since 31 December 2015.

### Liquidity portfolio management

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

| As at | Unaudited 30 June 2016 $000 | Unaudited 30 June 2015 $000 | Audited 31 December 2015 $000 |
|---|---|---|---|
| Cash and cash equivalents: | | | |
| Cash and balances with central bank | 26,279 | - | 20,001 |
| Due from other financial institutions (call or original maturity of 3 months or less) | 40,180 | 138,321 | 64,820 |
| Due from related parties[1] | 928 | - | 6,849 |
| **Total liquidity portfolio** | **67,387** | **138,321** | **91,670** |

*(1) Due from related parties includes Nostro account balance only held with the Parent Bank as at 30 June 2016 and 31 December 2015.*

### 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.

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

| As at 30 June 2016 | 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 | 26,279 | - | - | - | - | 26,279 | 26,279 |
| Due from other financial institutions | 40,184 | - | - | - | - | 40,184 | 40,180 |
| Loans and advances | 123 | 172,892 | 153,508 | 153,582 | 195,171 | 675,276 | 390,035 |
| Due from related parties | 928 | 1,441 | - | - | - | 2,369 | 2,369 |
| **Total non-derivative financial assets** | **67,514** | **174,333** | **153,508** | **153,582** | **195,171** | **744,108** | **458,863** |
| **Derivative financial assets** | | | | | | | |
| Gross settled – cash inflow | - | 1,342 | 3,686 | 115,511 | - | 120,539 | |
| Gross settled – cash outflow | - | (884) | (2,536) | (114,200) | - | (117,620) | |
| **Total derivative financial assets** | - | **458** | **1,150** | **1,311** | - | **2,919** | |
| **Non derivative financial liabilities** | | | | | | | |
| Due to other financial institutions | - | 53,058 | - | - | - | 53,058 | 53,058 |
| Deposits from customers | 33,053 | 2,474 | 29,015 | 102 | - | 64,644 | 64,149 |
| Debt securities issued | - | 1,044 | 34,965 | 146,588 | - | 182,597 | 166,353 |
| Due to related parties | - | 35,616 | 1,015 | 78,268 | - | 114,899 | 112,976 |
| Subordinated Debt | - | 201 | 591 | 3,199 | 16,741 | 20,732 | 15,142 |
| **Total non-derivative financial liabilities** | **33,053** | **92,393** | **65,586** | **228,157** | **16,741** | **435,930** | **411,678** |
| **Derivative financial liabilities** | | | | | | | |
| Gross settled - cash inflow | - | - | - | - | - | - | |
| Gross settled – cash outflow | - | 235 | - | - | - | 235 | |
| **Total derivative financial liabilities** | - | **235** | - | - | - | **235** | |
| **Off-balance sheet commitments and contingent liabilities** | | | | | | | |
| Capital Commitments | - | 37 | - | - | - | 37 | |
| Leasing commitments | - | 253 | 753 | 3,788 | - | 4,794 | |
| Commitments to extent credit | 112,668 | - | - | - | - | 112,668 | |
| Financial guarantees | 847 | - | - | - | - | 847 | |
| Standby letters of credit | - | - | - | - | - | - | |
| Trade letters of credit | - | - | - | - | - | - | |
| Non-Financial guarantees | 508 | - | - | - | - | 508 | |
| Other Commitments | 25 | - | - | - | - | 25 | |
| **Total off-balance sheet commitments and contingent liabilities** | **114,048** | **290** | **753** | **3,788** | - | **118,879** | |

## 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.
- Simulations using a range of interest rate scenarios will be 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 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 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 June 2016, categorised by the earlier of the contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Bank's exposure to interest rate movements, are included under the heading "Non-interest bearing".

| As at 30 June 2016 | 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 | 26,279 | - | - | - | - | - | 26,279 |
| Due from other financial institutions | 40,180 | - | - | - | - | - | 40,180 |
| Derivative financial assets | - | - | - | - | - | 2,817 | 2,817 |
| Loans and advances | 226,668 | 43,246 | 76,839 | 40,170 | 2,797 | 315 | 390,035 |
| Due from related parties | 2,369 | - | - | - | - | - | 2,369 |
| Other financial assets | - | - | - | - | - | - | - |
| **Total financial assets** | 295,496 | 43,246 | 76,839 | 40,170 | 2,797 | 3,132 | 461,680 |
| Non-financial assets | - | - | - | - | - | 2,242 | 2,242 |
| **Total assets** | 295,496 | 43,246 | 76,839 | 40,170 | 2,797 | 5,374 | 463,922 |
| **Financial liabilities** | | | | | | | |
| Due to other financial institutions | 53,000 | - | - | - | - | 58 | 53,058 |
| Derivative financial liabilities | - | - | - | - | - | 235 | 235 |
| Deposits from customers | 40,420 | 20,200 | 2,779 | - | 89 | 661 | 64,149 |
| Debt securities issued | 55,000 | - | - | 65,000 | 43,800 | 2,553 | 166,353 |
| Due to related parties | 112,811 | - | - | - | - | 165 | 112,976 |
| Subordinated Debt | 15,000 | - | - | - | - | 142 | 15,142 |
| Other financial liabilities | - | - | - | - | - | - | - |
| **Total financial liabilities** | 276,231 | 20,200 | 2,779 | 65,000 | 43,889 | 3,814 | 411,913 |
| Non-financial liabilities | - | - | - | - | - | 495 | 495 |
| **Total liabilities** | 276,231 | 20,200 | 2,779 | 65,000 | 43,889 | 4,309 | 412,408 |
| **On-balance sheet interest rate repricing gap** | 19,265 | 23,046 | 74,060 | (24,830) | (41,092) | 1,065 | 51,514 |
| Net derivative notional principals | (108,800) | - | - | 65,000 | 43,800 | - | - |
| **Net interest rate repricing gap** | (89,535) | 23,046 | 74,060 | 40,170 | 2,708 | 1,065 | 51,514 |

## 18. Events Subsequent To The Reporting Date

China Construction Bank (New Zealand) Limited, the **"Company"**, has issued a further 100 million ordinary shares, which will have the same terms as, and rank from time of issue pari passu with, the existing ordinary shares in the Company. The Company issued the ordinary shares to China Construction Bank Corporation on the 20th July 2016. The consideration for the ordinary shares, ($140,548,000), was received on the 20th July 2016 from CCB. This fully paid up increase in capital will qualify for Tier 1 capital for the purposes of "Capital Adequacy Framework (Standardised Approach)".

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

## 19. Capital Adequacy

The Bank is subject to the capital adequacy requirements for registered banks as specified by the Reserve Bank. The Reserve Bank has set minimum regulatory capital requirements 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.

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 in appendix 3 on page 89 to 95 of the full year ended 31 December 2015 Disclosure Statement.

## Capital management

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

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

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

The Bank manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders, return/issue capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes during the six months ended 30 June 2016.

There were no significant capital initiatives undertaken during the six months ended 30 June 2016, other than that which was disclosed in Note 18 *"Events Subsequent to Reporting Date"*.

The capital adequacy tables set out on the following pages summarise the composition of regulatory capital, risk-weighted assets and the capital adequacy ratios for the Bank as at 30 June 2016. 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 June 2016 (Unaudited) | 2016 $000 |
|---|---|
| **Tier 1 Capital** | |
| **Common Equity Tier 1 capital** | |
| Issued and fully paid-up ordinary share capital | 58,630 |
| Retained earnings (net of appropriations) | (7,116) |
| Accumulated other comprehensive income and other disclosed reserves(1) | - |
| **Less deductions from Common Equity Tier 1 capital** | |
| Intangible assets | 56 |
| Cash flow hedge reserve | - |
| Deferred tax assets | - |
| **Total Common Equity Tier One capital** | **51,458** |
| **Additional Tier 1 capital** | |
| Nil | - |
| **Total Additional Tier 1 capital** | - |
| **Total Tier 1 capital** | **51,458** |
| **Tier 2 capital** | |
| Subordinated notes (regulatory capital value) | 10,800 |
| **Total Tier 2 capital** | **10,800** |
| **Total capital** | **62,258** |

*(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

### Ordinary Shares

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

In relation to the ordinary shares:

- there are no options or facilities for early redemptions, conversion, write-down or capital repayment;
- there is no predetermined dividend rate;
- there is no maturity date;
- there are no options granted or to be granted pursuant to any arrangement; and
- they have equal voting rights and share equally in dividends and profit on winding up. Dividends are declared, subject in all cases, to the applicable directors' resolutions being passed.

### Subordinated Notes

On 28th April 2016, the Bank issued NZD $15 million (15,000 subordinated and unsecured medium term notes at a face value of NZD $1,000.00 **"the Notes"**) to the Sydney Branch of the Ultimate Parent Bank (**Sydney Branch**). The Notes will mature on 28th April 2023. The Notes are redeemable, subordinated and unsecured securities of the Bank. The Notes are subordinated to the claims of depositors and other unsubordinated creditors of the Bank and qualify for Tier 2 regulatory recognition subject to the allowance for tax in accordance with section 10f(5) of subpart 2F under BS2A. The Bank may redeem all the Notes on any interest payment date, subject to certain conditions including the Reserve Bank's written approval ("**Redemption of Term Subordinated Notes**"). Early redemption of all but not some of the Notes for tax reasons or regulatory reasons is permitted subject to Redemption of Term Subordinated Notes.

The Notes bear interest at a rate based on the 3 month Bank Bill Rate plus a fixed margin of 3.00% per annum. Interest is payable quarterly in arrears and commences on 28th July 2016. Interest payments on the Notes are subject to the Bank being solvent immediately and after such payments are made.

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

a) the Reserve Bank has reasonable grounds to believe that the Bank meets any of the grounds of section 113(a) to (e) of the Reserve Bank Act 1989 requiring the Bank to write off (in whole or in part) a class of capital instrument that includes the Notes; or
b) the Bank is subject to statutory management and the statutory manager decides to write off the Notes (in whole or in part).

## Credit risk

### On-balance sheet exposures

| As at 30 June 2016 (Unaudited) | Total exposure after credit risk mitigation $000 | Risk weight % | Risk weighted exposure $000 | Minimum Pillar 1 capital requirement $000 |
|---|---|---|---|---|
| Cash and gold bullion | - | - | - | - |
| Sovereigns and central banks | 26,279 | 0% | - | - |
| Multilateral development banks and other international organisation | - | - | - | - |
| Public sector entities | - | - | - | - |
| Banks rating grade 1 | 42,366 | 20% | 8,473 | 678 |
| Banks rating grade 2 (≤ 3 months) | 9,986 | 50% | 4,993 | 399 |
| Corporate-without recognised mitigation | 241,038 | 100% | 241,038 | 19,283 |
| Corporate-secured by financial guarantee | - | - | - | - |
| Residential mortgages (owner occupied) not past due-LVR up to 80% | 72,805 | 35% | 25,482 | 2,039 |
| Residential mortgages (investment) not past due-LVR up to 80% | 64,070 | 40% | 25,628 | 2,050 |
| 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 | 3,248 | 100% | 3,248 | 260 |
| **Total on-balance sheet exposures** | **459,792** | **-** | **308,862** | **24,709** |

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## Off-balance sheet exposures and market related contracts

| As at 30 June 2016 (Unaudited) | Total exposure $000 | Credit conversion factor % | Credit equivalent amount $000 | Average risk weight % | Risk weighted exposure $000 | Minimum Pillar 1 capital requirement $000 |
|---|---|---|---|---|---|---|
| Direct credit substitute | 872 | 100% | 872 | 79% | 692 | 55 |
| Asset sale with recourse | - | 100% | - | - | - | - |
| Forward asset purchase | - | 100% | - | - | - | - |
| Commitment with certain drawdown | - | 100% | - | - | - | - |
| Note issuance facility | - | 50% | - | - | - | - |
| Revolving underwriting facility | 48,909 | 50% | 24,455 | 100% | 24,455 | 1956 |
| Performance-related contingency | 508 | 50% | 254 | 100% | 254 | 20 |
| Trade-related contingency | - | 20% | - | - | - | - |
| Placements of forward deposits | - | 100% | - | - | - | - |
| Other commitments where original maturity is more than one year | 24,754 | 50% | 12,377 | 100% | 12,377 | 990 |
| Other commitments where original maturity is more than one year | 21,778 | 20% | 4,356 | 100% | 4,356 | 348 |
| Other commitments where original maturity is more than one year | 7,342 | 20% | 1,468 | 40% | 587 | 47 |
| Other commitments where original maturity is more than one year | 9,885 | 20% | 1,977 | 35% | 692 | 55 |
| 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 | 137 | n/a | 137 | 50% | 68 | 5 |
| (a) Foreign exchange contracts | 760 | n/a | 760 | 20% | 152 | 12 |
| (b) Interest rate contracts (exposure more than 1 year and less than or equal to 5 years) | 379 | n/a | 379 | 100% | 379 | 30 |
| (b) Interest rate contracts (exposure more than 1 year and less than or equal to 5 years) | 483 | n/a | 483 | 50% | 241 | 19 |
| (b) Interest rate contracts (exposure more than 1 year and less than or equal to 5 years) | 2,066 | n/a | 2,066 | 20% | 413 | 33 |
| (c) Other – OTC etc. | - | n/a | - | - | - | - |
| **Total off-balance sheet** | | - | **49,584** | - | **44,666** | **3,570** |

(1) The credit equivalent amount for market related contracts was calculated using the current exposure method under BS2A.

## Additional mortgage information

### Residential mortgages by loan-to-valuation ratio

| As at 30 June 2016 (Unaudited) | Does not exceed 80% | Exceeds 80% and not 90% | Exceeds 90% | Total |
|---|---|---|---|---|
| **Loan-to-valuation ratio** | | | | |
| On-balance sheet exposures | 136,875 | - | - | 136,875 |
| Off-balance sheet exposures | 6,364 | - | - | 6,364 |
| **Value of exposures** | **143,239** | - | - | **143,239** |

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

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

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

### Reconciliation of residential mortgage-related amount

| As at 30 June 2016 (Unaudited) | $000 |
|---|---|
| Term loans – housing (as disclosed in Note 6) and Residential mortgages – total gross loans and advances (as disclosed in Note 7) | 137,488 |
| Reconciling items: | |
| Less: accrued and deferred income | (613) |
| Residential mortgages by loan-to-valuation ratio | **136,875** |

## Credit risk mitigation

| As at 30 June 2016 (Unaudited) | Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting) $000 | Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives $000 |
|---|---|---|
| Sovereign or central bank | - | - |
| Multilateral development bank | - | - |
| Public sector entities | - | - |
| Bank | - | - |
| Corporate | 2,167 | - |
| Residential mortgage | - | - |
| Other | - | - |
| **Total** | **2,167** | **-** |

## Operational risk

| As at 30 June 2016 (Unaudited) | Implied weighted exposure $000 | Total operational risk capital requirement $000 |
|---|---|---|
| Operational risk | 49,794 | 3,984 |

## Market risk

| | End-period capital charges | | Peak end-of-day capital charge | |
|---|---|---|---|---|
| As at 30 June 2016 (Unaudited) | Implied risk weighted exposure $000 | Aggregate capital charge $000 | Implied risk weighted exposure $000 | Aggregate capital charge $000 |
| Interest rate risk | 11,262 | 901 | 17,990 | 1,439 |
| Foreign currency risk | 366 | 29 | 30,666 | 2,453 |
| Equity risk | - | - | - | - |
| **Total** | **11,628** | **930** | **48,656** | **3,892** |

Market risk exposures have been calculated in accordance with the methodology detailed in Part 10 of the Reserve Bank document BS2A Capital Adequacy Framework (Standardised Approach), and schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

## Total capital requirements

| As at 30 June 2016 (Unaudited) | Total exposure after credit risk mitigation $000 | Risk weighted exposure or implied risk weighted exposure $000 | Total capital requirement $000 |
|---|---|---|---|
| Total credit risk + equity | 509,374 | 353,529 | 28,282 |
| Operational risk | n/a | 49,794 | 3,984 |
| Market risk | n/a | 11,628 | 930 |
| **Total** | **509,374** | **414,951** | **33,196** |

## 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 as at 30 June 2016. The Board has included an extra 2% capital buffer to cover these risks taking the total capital ratio to a minimum of 12.5%.

## Capital ratios of the Bank

| As at | Unaudited 30 June 2016 % | Unaudited 30 June 2015 % |
|---|---|---|
| **Capital adequacy ratios** | | |
| Common Equity Tier 1 capital ratio | 12.40% | 62.64% |
| Tier 1 capital ratio | 12.40% | 62.64% |
| Total capital ratio | 15.00% | 62.64% |
| **Reserve Bank minimum ratio requirements** | | |
| Common Equity Tier 1 capital ratio | 4.50% | 4.50% |
| Tier 1 capital ratio | 6.00% | 6.00% |
| Total capital ratio | 8.00% | 8.00% |
| **Buffer ratio** | | |
| Buffer ratio | 7.90% | 54.64% |
| Buffer ratio requirement | 2.50% | 2.50% |

## Capital adequacy of Ultimate Parent Bank Group and Ultimate Parent Bank

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

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 III standardised approach and are required to publicly disclose this capital adequacy information on a quarterly basis. This information is available via the Ultimate Parent Bank's website (www.ccb.com).

The Ultimate Parent Bank and the Ultimate Parent Bank Group each met the capital requirements imposed on them by the CBRC as at 30 June 2016, the latest reporting date.

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

This republished Disclosure Statement includes an update to the Ultimate Parent Bank Group and Ultimate Parent Bank's Capital ratios for the six months ended 30 June 2016 that were published between 22 August 2016 and 17 October 2016.

| As at | (Unaudited) As at 30 June 2016 % | (Audited) As at 31 December 2015 % |
|---|---|---|
| **Ultimate Parent Bank Group** | | |
| Common Equity Tier 1 capital ratio | 13.06% | 13.13% |
| Tier 1 capital ratio | 13.24% | 13.32% |
| Total capital ratio | 15.09% | 15.39% |
| **Ultimate Parent Bank** | | |
| Common Equity Tier 1 capital ratio | 12.92% | 12.94% |
| Tier 1 capital ratio | 13.10% | 13.13% |
| Total capital ratio | 15.01% | 15.26% |

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# *Independent Auditor's Review Report*

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

## *Report on the Financial Statements*

We have reviewed pages 5 to 32 of the half year Disclosure Statement of China Construction Bank (New Zealand) Limited (the "Bank"), which consist of the financial statements required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information required by Schedules 5, 7, 9, 13, 16 and 18 of the Order. The financial statements comprise the balance sheet as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six months then ended, and the notes to the financial statements that include a statement of significant accounting policies and other explanatory information for the Bank.

### *Directors' Responsibility for the Financial Statements*

The Directors of China Construction Bank (New Zealand) Limited (the "Directors") are responsible on behalf of the Bank, for the preparation and presentation of the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and that present fairly the financial position of the Bank as at 30 June 2016, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Our Responsibility*

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

Our responsibility is to express a conclusion on the financial statements whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that causes us to believe that the financial statements have not been prepared, in all material respects, in accordance with the New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

Our responsibility is to express a conclusion on the supplementary information (excluding the supplementary information relating to capital adequacy) whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

Our responsibility is to express a conclusion on the supplementary information relating to capital adequacy whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe the supplementary information is not in all material respects:

a) prepared in accordance with the Bank's Conditions of Registration;
b) prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
c) disclosed in accordance with Schedule 9 of the Order.

# *Independent Auditor's Review Report*

China Construction Bank (New Zealand) Limited

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

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

We are independent of the Bank. We carry out other assignments on behalf of the Bank for audit-related and other assurance services. In addition, certain partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the Bank. These matters have not impaired our independence. We have no other interests in the Bank.

### *Conclusion*

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

a) the financial statements on pages 5 to 32 (excluding supplementary information) have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*;

b) the supplementary information prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

c) the supplementary information relating to capital adequacy prescribed by Schedule 9 of the Order is not, in all material respects:

   i. prepared in accordance with the Bank's Conditions of Registration;

   ii. prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and

   iii. disclosed in accordance with Schedule 9 of the Order.

## *Restriction on Distribution or Use*

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

PricewaterhouseCoopers

PricewaterhouseCoopers
17 October 2016

Auckland