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 nine months ended 30 September 2016

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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;
- "CCB" refers to China Construction Bank Corporation and its Subsidiaries; and
- "Reserve Bank" means the Reserve Bank of New Zealand.

Words and phrases defined by the Order have the same meaning 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 Disclosure Statement dated 28 November 2016, inadvertently recorded in Note 13 - Concentration of Credit Exposure for Individual Counterparties, one non-bank counterparty with an A rating or above as 'Unrated' having an aggregate credit exposure and peak end of day credit exposure of between 10% - 14%. This republished Disclosure Statement represents this change to reflect the non-bank counterparty as 'A' rated. There is no change to the total number of non-bank counterparties with an aggregate credit exposure and peak end of day credit exposure of between 10% - 14%.

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

Since the publication of the 31 December 2015 full year Disclosure Statement, Mr Xu Changning resigned as the Bank's Chief Executive Officer and Executive Director with effect from 30 June 2016 and Mr Qixin Wang resigned from the Board effective 31 August 2016. In addition Mr Li Xingyao was appointed as Acting Chief Executive Officer effective 1 July 2016 and Executive Director of the Bank on 3rd August 2016.

There have been no other changes to the composition of the Board.

a) 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 the 2nd 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

a) 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.

b) Details of the Guarantor

The guarantor is CCB Corporation, 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 began to calculate capital adequacy ratios with the advanced approach from April 2014. In this approach, CCB has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk, and standardised approach for operational risk exposure.

As disclosed in CCB's unaudited consolidated results for the nine months ended 30 September 2016, the total capital for capital adequacy purposes, calculated in accordance with the Capital Rules for Commercial Banks (Provisional) promulgated by the CBRC in June 2012, while observing relevant rules under the transition period, was RMB 1,761,180 million (NZD 363,652 million) and its total capital ratio was 15.36%.

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's credit rating in the two years prior to 30 September 2016. On 2nd March 2016, Moody's Investors Service revised the outlook from stable to negative on CCB's credit rating 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 12 *Commitments and Contingent Liabilities* of the financial statements for the nine months ended 30 September 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 nine months ended 30 September 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 21 December 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 nine months ended	Note	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000
Interest income		14,517	3,824
Interest expense		(9,484)	(1,755)
Net Interest Income		**5,033**	**2,069**
Net non-interest income/(expense)	2	1,428	(193)
Total operating income		**6,461**	**1,876**
Operating expenses		(7,023)	(5,274)
Impairment losses on loans and advances	6 a) / c)	(216)	(289)
Loss before income tax		**(778)**	**(3,687)**
Income tax expense		-	-
Loss after income tax		**(778)**	**(3,687)**
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		**(778)**	**(3,687)**

Statement of Changes in Equity

For the nine months ended 30 September 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		-	(778)	(778)
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**(778)**	**(778)**
Transactions with owners:				
Ordinary share capital issued		140,548	-	140,548
Dividends paid on ordinary shares		-	-	-
Balance as at 30 September 2016		**199,178**	**(6,229)**	**192,949**

For the nine months ended 30 September 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		-	(3,687)	(3,687)
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**(3,687)**	**(3,687)**
Transactions with owners:				
Ordinary share capital issued		-	-	-
Dividends paid on ordinary shares		-	-	-
Balance as at 30 September 2015		**58,630**	**(4,394)**	**54,236**

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**

Balance Sheet

As at	Note	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Assets				
Cash and balances with central bank	3	22,908	-	20,001
Due from other financial institutions		157,596	26,193	64,820
Derivative financial assets		3,972	2,635	958
Loans and advances	5	522,897	291,444	306,666
Due from related parties	9	2,139	422	6,956
Other assets		169	19	108
Property, plant and equipment		1,929	2,530	2,371
Intangible assets		52	54	64
Deferred tax assets		-	-	-
Total assets		**711,662**	**323,297**	**401,944**
Liabilities				
Due to other financial institutions		-	12,907	14,512
Derivative financial liabilities		380	160	1,870
Deposits from customers	7	119,022	60,207	97,460
Debt securities issued	8	279,982	105,405	124,541
Due to related parties	9	103,391	89,630	109,661
Subordinated debt	9	15,141	-	-
Other liabilities		797	752	721
Total liabilities		**518,713**	**269,061**	**348,765**
Shareholder's equity				
Share capital		199,178	58,630	58,630
Accumulated losses		(6,229)	(4,394)	(5,451)
Total shareholder's equity		**192,949**	**54,236**	**53,179**
Total liabilities and shareholder's equity		**711,662**	**323,297**	**401,944**
Total interest earning and discount bearing assets		704,357	318,343	397,907
Total interest and discount bearing liabilities		513,019	266,157	344,566

Cash Flow Statement

For the nine months ended	Note	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000
Cash flows from operating activities			
Interest received		13,663	3,231
Interest paid		(2,473)	(924)
Non-interest income received		1,703	(945)
Non-interest expenses paid		(66)	-
Operating expenses paid		(6,407)	(4,843)
Income taxes paid		-	-
Net cash flows from operating activities before changes in operating assets and liabilities		**6,420**	**(3,481)**
Net changes in operating assets and liabilities:			
Net decrease/(increase):			
GST receivable		(1)	88
Other assets		(59)	103
Loans and advances		(215,987)	(287,158)
Due from related parties		(856)	11,853
Net increase/(decrease):			
Due to other financial institutions		(14,500)	(20,240)
Other liabilities		-	234
Deposits from customers		21,247	59,395
Net changes in operating assets and liabilities		**(210,156)**	**(235,725)**
Net cash flows used in operating activities	11	**(203,736)**	**(239,206)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(85)	(1,869)
Purchase of intangible assets		-	(11)
Net cash flows used in investing activities		**(85)**	**(1,880)**
Cash flows from financing activities			
Issue of ordinary share capital		140,548	-
Net increase in due to related parties		8,706	88,940
Net increase in debt issues		150,646	103,625
Interest paid on financing activities		(6,463)	(286)
Net cash flows provided by financing activities		**293,437**	**192,279**
Net (decrease)/increase in cash and cash equivalents		89,616	(48,807)
Cash and cash equivalents at beginning of the period		91,670	75,414
Cash and cash equivalents at end of the period		**181,286**	**26,607**
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)		157,202	26,185
Cash and balances with central banks		22,908	-
Due from related parties (nostro balance account held with Ultimate Parent Bank)		1,176	422
Cash and cash equivalents at end of the period		**181,286**	**26,607**

(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 $394k as at 30 September 2016 and $8k as at 30 September 2015 respectively.

1. Statement of Accounting Policies

a) Reporting Entity

These condensed interim financial statements ("interim financial statements") for the nine months ended 30 September 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 21 December 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 ended 31 December 2015.

b) 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 nine months ended 30 September 2016. All policies have been applied on a consistent basis with those used in the financial year ended 31 December 2015.

2. Non-Interest Income/(Expense)

For the nine months ended	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000
Fees and commission income/(expense)		
Lending and credit facility related fee income	1,685	612
Commission paid	(48)	(646)
Total fees and commission income/(expense)	**1,637**	**(34)**
Net ineffectiveness on qualifying hedges	**(63)**	**(7)**
Other non-interest (expense)		
Net unrealised (losses)/gains on derivatives at fair value	(146)	(152)
Total other non-interest (expense)	**(146)**	**(152)**
Total non-interest income/(expense)	**1,428**	**(193)**

3. Cash and balances with Central Bank

As at	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Call deposits and settlement account balance with central bank	22,908	-	20,001
Total cash and balances with central bank	**22,908**	**-**	**20,001**

4. 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 September 2016 (30 September 2015: nil, 31 December 2015: nil). The fair value of any collateral held which has been sold or re-pledged as at 30 September 2016 is nil (30 September 2015: nil, 31 December 2015: nil).

5. Loans and Advances

As at	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Term loans – residential mortgages	213,873	20,956	71,961
Term loans – non-residential	309,546	270,780	235,012
Total gross loans and advances	**523,419**	**291,736**	**306,973**
Provisions for impairment losses on loans and advances	(522)	(292)	(307)
Total net loans and advances	**522,897**	**291,444**	**306,666**

6. Asset Quality and Provision for Impairment Losses

a) Impairment losses per Income Statement

For the nine months ended	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000
Increase/(decrease) in collectively assessed provisions	216	289
Increase/(decrease) in individually assessed provisions	-	-
Total Impairment losses per Income Statement	**216**	**289**

b) End-period balances

As at 30 September 2016 (Unaudited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
At least 90 days past due	-	-	-	-
Total individually impaired assets	-	-	-	-
Collectively assessed provisions	213	309	-	522
Individually assessed provisions	-	-	-	-
Total provisions for Impairment losses	**213**	**309**	**-**	**522**

c) Breakdown of impairment losses

For the nine months ended 30 September 2016 (Unaudited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Increase/(decrease) in collectively assessed provisions	141	75	-	216
Increase/(decrease) in individually assessed provisions 1	-	-	-	-
Total Impairment losses	**141**	**75**	**-**	**216**

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 September 2016 (30 September 2015: nil, 31 December 2015: nil). The Bank did not have other assets under administration as at 30 September 2016 (30 September 2015: nil, 31 December 2015: nil).*

7. Deposits from Customers

As at	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Demand deposits not bearing interest	-	-	-
Demand deposits bearing interest	59,085	4,865	34,780
Term deposits	59,937	55,342	62,680
Total deposits from customers	**119,022**	**60,207**	**97,460**

8. Debt Securities Issued

As at	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Short term debt			
Registered certificate of deposits	39,765	-	-
Total short term debt	**39,765**	**-**	**-**
Long term debt			
Domestic medium-term notes	240,217	105,405	124,541
Total long term debt	**240,217**	**105,405**	**124,541**
Total debt securities issued	**279,982**	**105,405**	**124,541**
Debt securities issued at amortised cost	279,982	105,405	124,541
Total debt securities issued	**279,982**	**105,405**	**124,541**
Movement in debt securities issued			
Balance at beginning of the period/year	124,541	-	-
Issuance during the period/year	182,991	104,346	123,813
Repayments during the period/year	(30,000)	-	-
Effect of fair value hedge adjustment & amortisation	2,450	1,059	728
Balance at end of the period/year	**279,982**	**105,405**	**124,541**

9. 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 September 2016, the Bank had no controlled entities.

Transactions with related parties

For the nine months ended	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000
Interest income		
Received from Ultimate Parent Bank	89	58
Received from other related parties	-	-
Interest expense		
Paid to Ultimate Parent Bank	(1,368)	(78)
Paid to other related parties	(145)	-
Non-interest expense		
Net derivative loss to Ultimate Parent Bank	(18)	-
Net derivative loss to other related parties	-	-

Balances with related parties

As at	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Due from related parties			
Due from Ultimate Parent Bank	2,139	422	6,956
Due from other related parties	-	-	-
Total Related Party Assets	**2,139**	**422**	**6,956**
Due to related parties			
Due to Ultimate Parent Bank	118,532	89,630	80,449
Due to other related parties	-	-	29,212
Total Related Party Liabilities	**118,532**	**89,630**	**109,661**
Subordinated Debt			
Subordinated Debt with Ultimate Parent Bank	15,141	-	-
Total Subordinated Debt with Ultimate Parent Bank	**15,141**	**-**	**-**
Derivative financial assets			
Derivative with Ultimate Parent Bank	362	-	-
Total Derivative Financial Assets with Related Parties	**362**	-	**-**
Derivative financial liabilities		-	
Derivative with Ultimate Parent Bank	380	-	90
Total Derivative Financial Liabilities with Related Parties	**380**	**-**	**90**

There were no debts with any related parties written off or forgiven during the nine months ended 30 September 2016 (30 September 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 September 2016 (30 September 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 September 2016 is nil (30 September 2015: nil, 31 December 2015: $106,930).

The Bank holds nostro accounts with the Ultimate Parent Bank. The total balance as at 30 September 2016 is $1,176,000 (30 September 2015: $422,000, 31 December 2015: $6,848,646). Also, the Bank has a placement with Ultimate Parent Bank of $963,000 with accrued interest $134 as at 30 September 2016 (30 September 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 $30,000,000 from the Ultimate Parent Bank and US $80,000,000 from other Related Parties and repaid US $10,000,000 to the Ultimate Parent Bank and US $100,000,000 to other Related Parties, inclusive of interest of $362,000 and $1,151,000 respectively. (30 September 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 raised NZD $15 million (issuing 15,000 redeemable, subordinated and unsecured medium term notes at a face value of NZD $1,000.00) to the Sydney Branch of the Ultimate Parent Bank (Sydney Branch). The accrued interest of subordinated note is $141,000 as at 30 September 2016.

The Bank has $362,000 unrealised revaluation profit and $380,000 unrealised revaluation loss on derivative deals with the Ultimate Parent Bank as at 30 September 2016. This is included in derivative financial assets/liabilities in the Balance Sheet (30 September 2015: nil, 31 December 2015: ($90,000)).

10. 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 September 2016 (Unaudited)	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Derivative financial assets	-	3,972	-	3,972
Total financial assets carried at fair value	**-**	**3,972**	**-**	**3,972**
Financial liabilities				
Derivative financial liabilities	-	380	-	380
Total financial liabilities carried at fair value	**-**	**380**	**-**	**380**

As at 30 September 2015 (Unaudited)	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Derivative financial assets	-	2,635	-	2,635
Total financial assets carried at fair value	**-**	**2,635**	**-**	**2,635**
Financial liabilities				
Derivative financial liabilities	-	160	-	160
Total financial liabilities carried at fair value	**-**	**160**	**-**	**160**

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.

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 September 2016		Unaudited 30 September 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	22,908	22,908	-	-	20,001	20,001
Due from other financial institutions	157,596	157,596	26,193	26,193	64,820	64,820
Loans and advances	572,920	522,897	278,884	291,444	320,588	306,666
Due from related parties	2,139	2,139	422	422	6,956	6,956
Total financial assets not measured at fair value	**755,563**	**705,540**	**305,499**	**318,059**	**412,365**	**398,443**
Financial liabilities						
Due to other financial institutions	-	-	12,907	12,907	14,512	14,512
Deposits from customers	117,159	119,022	60,414	60,207	97,926	97,460
Due to related parties	104,310	103,391	89,630	89,630	105,561	109,661
Debt securities issued at amortised cost	286,955	279,982	108,923	105,405	128,282	124,541
Subordinated Debt	17,898	15,141	-	-	-	-
Other liabilities	79	79	608	635	223	223
Total financial liabilities not measured at fair value	**526,401**	**517,615**	**272,482**	**268,784**	**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.

11. Net Cash Flows used in Operating Activities

For the nine months ended	Unaudited 30 September 2016 $000	Unaudited 30 September 2015 $000
Reconciliation of loss after income tax to net cash flows used in operating activities		
Loss after income tax	(778)	(3,687)
Adjustments:		
Impairment losses on loans and advances	216	289
Depreciation and amortisation	540	329
Deduct/(add) items reclassified as financial activities	7,553	1,291
Net (increase)/decrease in operating assets:		
Due from other financial institutions	(395)	(8)
GST receivable	(1)	88
Loans and advances	(216,447)	(287,158)
Due from related parties[1]	(856)	11,853
Other assets	(59)	103
Derivative financial assets	(884)	(2,635)
Net increase/(decrease) in operating liabilities:		
Due to other financial institutions	(14,512)	(20,240)
Deposits from customers	21,562	59,395
Debt securities issued	1,514	780
Derivative financial liabilities	(1,265)	160
Other liabilities	76	234
Other non-cash movements	-	-
Net cash flows used in operating activities	**(203,736)**	**(239,206)**

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

12. Commitments and Contingent Liabilities

Capital commitments

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

Leasing commitments

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

As at	Unaudited 30 September 2016 $000	Unaudited 30 September 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	3,551	3,584	3,817
Later than 5 years	-	665	473
Total	**4,557**	**5,187**	**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 September 2016 of $146,498,000 (30 September 2015: $25,212,000, 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 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Financial guarantees	950	80	80
Standby letters of credit	-	624	391
Trade letters of credit	-	-	703
Non-financial guarantees	507	94	277
Total contingent liabilities	**1,457**	**798**	**1,451**
Undrawn Commitments	145,041	24,414	46,984
Total contingent liabilities and undrawn commitments	**146,498**	**25,212**	**48,435**

Other contingent liabilities

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

13. Concentration of Credit Exposure to Individual Counterparties

Concentration of credit exposure to individual counterparties

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 September 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 September 2016					Unaudited 30 September 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%	1	-	1	2	10% - 14%	1	-	1	2
15% - 19%	-	-	-	-	15% - 19%	-	-	-	-
20% - 24%	-	-	1	1	20% - 24%	-	-	1	1
25% - 29%	-	-	1	1	25% - 29%	-	-	1	1
30% - 34%	-	-	-	-	30% - 34%	-	-	-	-
35% - 39%	-	-	-	-	35% - 39%	-	-	-	-
40% - 44%	-	1	-	1	40% - 44%	-	1	-	1
Total	**1**	**1**	**3**	**5**	**Total**	**1**	**1**	**3**	**5**

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.

14. 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 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

15. 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 September 2016 $000	Unaudited 30 September 2015 $000	Audited 31 December 2015 $000
Cash and cash equivalents:			
Cash and balances with central bank	22,908	-	20,001
Due from other financial institutions (call or original maturity of 3 months or less)	157,202	26,193	64,820
Due from related parties[1]	1,176	422	6,849
Total liquidity portfolio	**181,286**	**26,615**	**91,670**

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

16. Events Subsequent To The Reporting Date

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

17. 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 nine months ended 30 September 2016.

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 September 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 September 2016 (Unaudited)	2016 $000
Tier 1 Capital	
Common Equity Tier 1 capital	
Issued and fully paid-up ordinary share capital	199,178
Retained earnings (net of appropriations)	(6,229)
Accumulated other comprehensive income and other disclosed reserves(1)	-
Less deductions from Common Equity Tier 1 capital	
Intangible assets	52
Cash flow hedge reserve	-
Deferred tax assets	-
Total Common Equity Tier 1 capital	**192,897**
Additional Tier 1 capital	
Nil	-
Total Additional Tier 1 capital	-
Total Tier 1 capital	**192,897**
Tier 2 capital	
Subordinated notes (face value)	15,000
Less deductions from Tier 2 capital	
Allowance for tax under BS2A	(4,200)
Total Tier 2 capital	**10,800**
Total capital	**203,697**

(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.

The following Tier 1 capital initiative was undertaken during the reporting period:

a) On 20 July 2016, the Bank issued 100,000,000 ordinary shares to China Construction Bank Corporation and raised $140,548,000 from the issuance. The ordinary shares qualify for

Common Equity Tier 1 capital for the purposes of "Capital Adequacy Framework (Standardised Approach)". These ordinary shares will have the same terms as, and rank from time of issue pari passu with, the existing ordinary shares in the Company.

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 commenced on 28th July 2016.

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).

Pillar 1 capital requirement

As at 30 September 2016 (Unaudited)	Pillar 1 capital requirement $000
On-balance sheet credit risk:	
Residential mortgages (including past due)	6,252
Corporate	24,569
Claims on banks	2,549
Other	307
Total on-balance sheet credit risk	33,677
Other capital requirements:	
Off-balance sheet credit exposures	3,859
Operational risk	5,264
Market risk	1,070
Total other capital requirements	10,193
Total Pillar 1 capital requirement	**43,870**

Additional mortgage information

Residential mortgages by loan-to-valuation ratio

Loan-to-valuation ratio As at 30 September 2016 (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
On-balance sheet exposures	212,997	-	-	212,997
Off-balance sheet exposures	32,048	-	-	32,048
Value of exposures	**245,045**	**-**	**-**	**245,045**

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%.

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 September 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 September 2016 %	Unaudited 30 September 2015 %
Capital adequacy ratios		
Common Equity Tier 1 capital ratio	35.18%	15.08%
Tier 1 capital ratio	35.18%	15.08%
Total capital ratio	37.15%	15.08%
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	30.68%	7.08%
Buffer ratio requirement	2.50%	2.50%