China Construction Bank (New Zealand) Limited

Disclosure Statement for the three months ended 31 March 2016

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1. GENERAL INFORMATION AND DEFINITIONS

This is the off quarter Disclosure Statement of China Construction Bank (New Zealand) Limited and is for the three months ended 31 March 2016. Certain information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 (“Reserve Bank Act”) and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”).

In this Disclosure Statement:

- the "Bank" and "CCB NZ" mean China Construction Bank (New Zealand) Limited;
- "Banking Group" means the Bank and its subsidiaries. As at the date of this Disclosure Statement, the Bank does not have any subsidiaries and is the only member of the Banking Group;
- the "Ultimate Parent Bank", “Immediate Parent Bank” and "CCB" mean China Construction Bank Corporation;
- the “CCB Group” refers to CCB and the various companies and other entities owned and controlled by CCB;
- "Board" means the Board of Directors of the Bank; and
- “Reserve Bank” means the Reserve Bank of New Zealand.

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

Disclosure Statements of the Bank are available, free of charge, at the internet address http://nz.ccb.com. A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

2. GENERAL MATTERS

2.1 Registered Bank

China Construction Bank (New Zealand) Limited (the “Bank”) 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.

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.

At 31 March 2016, the Ultimate Parent Bank has a direct qualifying interest in 100% of the voting securities of the Bank. In addition, the Ultimate Parent Bank is able to directly appoint up to 100% of the Board of Directors of the Bank. All appointments to the Board must be approved by the Reserve Bank.

2.2 Limits on material financial support by the Ultimate Parent Bank

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

3. DIRECTORATE

3.1 Directors

The Directors of the Bank at the date when this Disclosure Statement was signed were Jenny Shipley, John Shewan, Qixin Wang, Xu Changning, Michael Allen and Yangtong Jin.

There have been no changes to the Board of Directors since the signing of the 31 December 2015 Disclosure Statement. On 20 May 2016, the Bank's Chief Executive and Executive Director, Mr Xu Changning, advised the Board that he is resigning from his position effective from 30 June 2016. A process is underway to appoint a replacement.

3.2 Responsible person

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

3.3 Address for communications

All communications may be sent to the Directors and the Responsible Person at the registered office of the Bank, Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand.

4. CONFLICTS OF INTEREST

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

Accordingly, each Director must:

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

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

John Shewan was appointed by the New Zealand Government on 11 April 2016 to conduct a review of New Zealand's foreign trust disclosure rules as a result of concerns arising from the recent release of documents known as the 'Panama Papers'.

5. TRANSACTIONS WITH DIRECTORS

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

(a) on terms other than on those which would, in the ordinary course of business of the Bank, be given to any other person of like circumstances or means; or

(b) which could otherwise be reasonably likely to materially influence the exercise of that Director's duties.

6. CREDIT RATINGS

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	Negative	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 and Standard & Poor's Rating Service on 31 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, CCB.

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.

There has been no changes to the Deed of Guarantee since 31 December 2015.

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 three months ended 31 March 2016, considering relevant rules in the transition period, CCB Group's total capital for capital adequacy purposes was RMB 1,701,468 million (NZD 380,013 million) and its total capital ratio was 15.55%.The capital ratio was calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* promulgated by the CBRC in June 2012.

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	Negative
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 31 March 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. On 31 March 2016, Standard & Poor's Rating 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 17 *Commitments and contingent liabilities* of the financial statements for the three months ended 31 March 2016 included within this Disclosure Statement.

9. CONDITIONS OF REGISTRATION

With effect from 1 November 2015, the Bank's conditions of registration were amended by the Reserve Bank to refer to the revised standards as follows:

(a) Application requirements for capital recognition or repayment and notification requirements in respect of capital (BS16);

(b) Capital Adequacy Framework (Standardised Approach) (BS2A);

(c) Framework for Restrictions on High-LVR Residential Mortgage Lending (BS19); and

(d) Connected Exposures Policy (BS8).

A copy of the amended conditions of registration 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.

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

10. PRIORITY OF CREDITORS' CLAIMS

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

11. OTHER MATERIAL MATTERS

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

12. AUDITOR

The name and address of the Bank's auditor is PricewaterhouseCoopers ("PwC"), 188 Quay Street, Auckland 1142, New Zealand.

13. DIRECTORS' STATEMENTS

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

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

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

Each Director of the Bank believes, after due enquiry, that, for the three months ended 31 March 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 26 May 2016 and has been signed by Mr Xu Changning as the responsible person for and on behalf of all the Directors (by Directors' resolution):

Mr Xu Changning
Executive Director

APPENDIX - FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

STATEMENT OF COMPREHENSIVE INCOME

For the three months ended	Note	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000
Interest income	2	4,246	625
Interest expense	2	(2,642)	(38)
Net Interest Income	2	**1,604**	**587**
Non-interest income	3	2,130	11
Non-interest expense	3	(2,223)	-
Total operating income		**1,511**	**598**
Operating expenses	4	(2,143)	(1,326)
Impairment losses on loans and advances	5	(72)	(22)
Loss before income tax		**(704)**	**(750)**
Income tax expense		-	-
Loss after income tax		**(704)**	**(750)**
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 income, net of tax		-	-
Total comprehensive loss		**(704)**	**(750)**

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

STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 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		-	(704)	(704)
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**(704)**	**(704)**
Transactions with owners:				
Ordinary share capital issued		-	-	-
Dividends paid on ordinary shares		-	-	-
Balance as at 31 March 2016		**58,630**	**(6,155)**	**52,475**

For the three months ended 31 March 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		-	(750)	(750)
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**(750)**	**(750)**
Transactions with owners:				
Ordinary share capital issued		-	-	-
Dividends paid on ordinary shares		-	-	-
Balance as at 31 March 2015		**58,630**	**(1,457)**	**57,173**

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

BALANCE SHEET

As at	Note	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Assets				
Cash and balances with central banks	6	28,003	-	20,001
Due from other financial institutions	7	1,389	31,563	64,820
Derivative financial assets		2,927	-	958
Loans and advances	8	378,446	24,985	306,666
Due from related parties	14	1,924	12,249	6,956
Other assets		140	392	108
Property, plant and equipment	10	2,221	905	2,371
Intangible assets		60	49	64
Deferred tax assets		-	-	-
Total assets		**415,110**	**70,143**	**401,944**
Liabilities				
Due to other financial institutions	11	82,084	12,234	14,512
Derivative financial liabilities		-	-	1,870
Deposits from customers	12	73,410	-	97,460
Debt securities issued	13	126,792	-	124,541
Due to related parties	14	79,799	616	109,661
Other liabilities		550	120	721
Total liabilities		**362,635**	**12,970**	**348,765**
Shareholder's equity				
Share capital		58,630	58,630	58,630
Accumulated losses		(6,155)	(1,457)	(5,451)
Total shareholder's equity		**52,475**	**57,173**	**53,179**
Total liabilities and shareholder's equity		**415,110**	**70,143**	**401,944**
Total interest earning and discount bearing assets		409,765	68,681	397,907
Total interest and discount bearing liabilities		357,686	12,221	344,566

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

CASH FLOW STATEMENT

For the three months ended	Note	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000
Cash flows from operating activities			
Interest received		4,081	665
Interest paid		(1,214)	(46)
Non-interest income received		659	10
Non-interest expenses paid		(2,334)	-
Operating expenses paid		(2,136)	(1,262)
Income taxes paid		-	-
Net cash flows from operating activities before changes in operating assets and liabilities		**(944)**	**(633)**
Net changes in operating assets and liabilities:			
Net decrease/(increase):			
GST receivable		23	66
Other assets		(55)	(258)
Loans and advances		(71,688)	(21,188)
Due from related parties		(648)	(367)
Net increase/(decrease):			
Due to other financial institutions		67,500	(20,924)
Other liabilities		-	-
Deposits from customers		(24,510)	(500)
Net changes in operating assets and liabilities		**(29,378)**	**(43,171)**
Net cash flows used in operating activities	16	**(30,322)**	**(43,804)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(24)	(150)
Purchase of intangible assets		-	-
Net cash flows used in investing activities		**(24)**	**(150)**
Cash flows from financing activities			
Net increase in due to related parties		(29,872)	-
Net increase in debt issues		-	-
Interest paid on financing activities		(891)	-
Net cash flows provided by financing activities		**(30,763)**	**-**
Net (decrease)/increase in cash and cash equivalents		(61,109)	(43,954)
Cash and cash equivalents at beginning of the period		91,670	75,414
Cash and cash equivalents at end of the period		**30,561**	**31,460**
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)		1,389	31,460
Cash and balances with central banks		28,003	-
Due from related parties (nostro balance account held with Ultimate Parent Bank)(2)		1,169	
Cash and cash equivalents at end of the period		**30,561**	**31,460**

(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 31 March 2016and $103k as at 31 March 2015 respectively .

(2)Certain comparatives have been restated to ensure consistency with presentation in the current period. The definition of cash and cash equivalents has changed to include due from related parties (nostro balance account held with Ultimate Parent Bank). The restatement has also affected the presentation of Note 20 Risk Management.

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

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Reporting Entity

The reporting entity is China Construction Bank (New Zealand) Limited (the "Bank"). It became a registered bank on 15 July 2014. The Bank does not prepare group financial statements as it does not have any subsidiaries. The Bank is a company incorporated in New Zealand under the Companies Act 1993 on 30 January 2014 and is registered under Company Number 4929019. The Bank's registered office and address for service and principal place of business is Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand.

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

The financial statements are for the three months ended 31 March 2016 and have been prepared in accordance with the requirements of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). They were approved for issue by the Board of Directors of the Bank (the "Board") on 26 May 2016.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") as appropriate for profit-oriented entities. These financial statements have also been prepared in accordance with NZ IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Disclosure Statement for the year ended 31 December 2015. These financial statements comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

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

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

1.3 Presentation currency and rounding

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). All amounts contained in the financial statements are presented in thousands of New Zealand Dollars, which is the Bank's functional and presentation currency, unless otherwise stated.

1.4 Particular accounting policies

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

1.5 Changing in accounting policies

There has been no material changes to accounting policies during the three months ended 31 March 2016. All policies have been applied on a consistent basis with that used in the financial year ended 31 December 2015.

2. NET INTEREST INCOME

For the three months ended	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000
Interest Income		
Due from other financial institutions	213	481
Trading securities	-	-
Available-for-sale securities	-	-
Loans and advances[1]	3,839	97
Due from related parties	2	47
Others	192	-
Total interest income	**4,246**	**625**
Interest expense		
Due to other financial institutions	(132)	(38)
Deposits and other borrowings	(824)	-
Trading liabilities	-	-
Due to related parties	(340)	-
Debt securities issued	(1,269)	-
Others	(77)	-
Total interest expense	**(2,642)**	**(38)**
Total net interest income	**1,604**	**587**

(1) Interest income on loans and advances includes interest earned of $nil on individually impaired assets of the Bank (31 March 2015: nil).

3. NON-INTEREST INCOME AND EXPENSES

For the three months ended	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000
Fees and commissions		
Lending and credit facility related fee income	519	10
Other fee expense	(10)	-
Total fees and commissions	**509**	**10**
Other income/(expense)		
Net ineffectiveness on qualifying hedges	(15)	-
Net gains on other derivatives used for hedge purposes that do not qualify for hedge accounting	1,611	-
Net losses on financial instruments designated at fair value through profit or loss	(1)	-
(Losses)/gains on FX	(2,197)	1
Net gains/(losses) on disposal of property, plant and equipment	-	-
Other income	-	-
Total other (expense)/income	**(602)**	**1**
Total non-interest (expense)/income	**(93)**	**11**

4. OPERATING EXPENSES

For the three months ended	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000
Amortisation of intangible assets	4	3
Depreciation:		
- Leasehold improvements	67	-
- Furniture and equipment	31	11
- Computer equipment	66	54
- Motor vehicles	10	10
Directors' fees	58	37
Fees Paid to External Auditors	5	-
Employee benefits:	-	-
- Salaries and wages	1,258	863
- Defined contribution plan expense	19	11
- Other long-term employee benefits	-	-
- Other	10	-
Operating lease rentals	241	118
Purchased services:		
- Technology and information systems	64	34
- Legal	12	7
- Other professional services	123	18
GST expense	51	41
Other expenses	124	119
Total operating expenses	**2,143**	**1,326**

5. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

For the three months ended 31 March 2016 (Unaudited)	Residential mortgage loans $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Movement in collectively assessed provisions	33	39	-	72
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	**33**	**39**	**-**	**72**

For the three months ended 31 March 2015 (Unaudited)	Residential mortgage loans $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Movement in collectively assessed provisions	-	22	-	22
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	**-**	**22**	**-**	**22**

For the year ended 31 December 2015 (Audited)	Residential mortgage loans $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Movement in collectively assessed provisions	72	232	-	304
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	**72**	**232**	**-**	**304**

6. CASH AND BALANCES WITH CENTRAL BANK

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Call deposits and settlement account balances with central banks	28,003	-	20,001
Total cash and balances with central banks	**28,003**	**-**	**20,001**

7. DUE FROM OTHER FINANCIAL INSTITUTIONS

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Loans and advances due from other financial institutions – call	1,389	925	19,791
Loans and advances due from other financial institutions – term	-	30,535	45,000
Other unsettled receivables	-	103	29
Total amount due from other financial institutions	**1,389**	**31,563**	**64,820**

The Bank did not have any collateral pledged to derivative counterparties for its credit support annex obligations or arising from reverse repurchase agreements as at 31 March 2016 (31 March 2015: nil, 31 December 2015: nil).

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

8. LOANS AND ADVANCES

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Term loans - housing	105,276	-	71,961
Term loans – non-housing	273,549	25,010	235,012
Total gross loans and advances	**378,825**	**25,010**	**306,973**
Provisions for impairment losses on loans and advances	(379)	(25)	(307)
Total net loans and advances	**378,446**	**24,985**	**306,666**

9. ASSET QUALITY

As at 31 March 2016 (Unaudited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Neither past due nor impaired	**105,276**	**273,549**	**-**	**378,825**
Past due but not impaired	-	-	-	-
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due but not impaired	**-**	**-**	**-**	**-**
Individually impaired assets				
Balance at beginning of the period	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	**-**	**-**	**-**	**-**
Total gross loans and advances	**105,276**	**273,549**	**-**	**378,825**
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	**-**	**-**	**-**	**-**

As at 31 March 2016 (Unaudited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Collectively assessed provisions				
Balance at beginning of the period	72	235	-	307
Charge (credit) to impairment losses on loans and advances in profit or loss	33	39	-	72
Balance at end of the period	**105**	**274**	**-**	**379**
Total provisions for impairment losses on loans and advances	**105**	**274**	**-**	**379**
Total net loans and advances	**105,171**	**273,275**	**-**	**378,446**

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

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

As at 31 March 2015 (Unaudited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Neither past due nor impaired	**-**	**25,010**	**-**	**25,010**
Past due but not impaired	-	-	-	-
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due but not impaired	**-**	**-**	**-**	**-**
Individually impaired assets				
Balance at beginning of the period	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	**-**	**-**	**-**	**-**
Total gross loans and advances	**-**	**25,010**	**-**	**25,010**
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	**-**	**-**	**-**	**-**

As at 31 March 2015 (Unaudited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Collectively assessed provisions				
Balance at beginning of the period	-	3	-	3
Charge (credit) to impairment losses on loans and advances in profit or loss	-	22	-	22
Balance at end of the period	**-**	**25**	**-**	**25**
Total provisions for impairment losses on loans and advances	**-**	**25**	**-**	**25**
Total net loans and advances	**-**	**24,985**	**-**	**24,985**

(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.

As at 31 December 2015 (Audited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Neither past due nor impaired	**71,961**	**235,012**		**306,973**
Past due but not impaired	-	-	-	-
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due but not impaired	**-**	**-**	**-**	**-**
Individually impaired assets				
Balance at beginning of the period	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Total individually impaired assets	**-**	**-**	**-**	**-**
Total gross loans and advances	**71,961**	**235,012**		**306,973**
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	-	3	-	3

As at 31 December 2015 (Audited)	Residential mortgages $000	Corporate exposures $000	Other exposures $000	Total credit exposures $000
Charge (credit) to impairment losses on loans and advances in profit or loss	72	232	-	304
Balance at end of the period	**72**	**235**	**-**	**307**
Total provisions for impairment losses on loans and advances	**72**	**235**	**-**	**307**
Total net loans and advances	**71,889**	**234,777**	**-**	**306,666**

(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.

10. PROPERTY, PLANT AND EQUIPMENT

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Leasehold improvements	1,136	-	1,203
Furniture and equipment	496	194	513
Computer equipment	437	517	493
Motor vehicles	152	194	162
Total property, plant and equipment	**2,221**	**905**	**2,371**

As at 31 March 2016 (Unaudited)	Leasehold improvements $000	Furniture and equipment $000	Computer Equipment $000	Motor vehicles $000	Total $000
Cost brought forward	1,338	610	780	209	2,937
Accumulated depreciation brought forward	(135)	(97)	(287)	(47)	(566)
Opening net carrying amount	**1,203**	**513**	**493**	**162**	**2,371**
Additions	-	14	10	-	24
Disposals	-	-	-	-	-
Depreciation	(67)	(31)	(66)	(10)	(174)
Closing net carrying amount	**1,136**	**496**	**437**	**152**	**2,221**
Cost	1,338	624	790	209	2,961
Accumulated depreciation	(202)	(128)	(353)	(57)	(740)
Closing net carrying amount	**1,136**	**496**	**437**	**152**	**2,221**

As at 31 March 2015 (Unaudited)	Leasehold improvements $000	Furniture and equipment $000	Computer Equipment $000	Motor vehicles $000	Total $000
Cost brought forward	-	220	611	73	904
Accumulated depreciation brought forward	-	(15)	(54)	(5)	(74)

As at 31 March 2015 (Unaudited)	Leasehold improvements $000	Furniture and equipment $000	Computer Equipment $000	Motor vehicles $000	Total $000
Opening net carrying amount	**-**	**205**	**557**	**68**	**830**
Additions	-	-	14	136	150
Disposals	-	-	-	-	-
Depreciation	-	(11)	(54)	(10)	(75)
Closing net carrying amount	**-**	**194**	**517**	**194**	**905**
Cost	-	220	626	209	1,055
Accumulated depreciation	-	(26)	(109)	(15)	(150)
Closing net carrying amount	**-**	**194**	**517**	**194**	**905**

As at 31 December 2015 (Audited)	Leasehold improvements $000	Furniture and equipment $000	Computer Equipment $000	Motor vehicles $000	Total $000
Cost brought forward	-	220	611	73	904
Accumulated depreciation brought forward	-	(15)	(54)	(5)	(74)
Opening net carrying amount	**-**	**205**	**557**	**68**	**830**
Additions	1,338	390	170	136	2,034
Disposals	-	-	-	-	-
Depreciation	(135)	(82)	(234)	(42)	(493)
Closing net carrying amount	**1,203**	**513**	**493**	**162**	**2,371**
Cost	1,338	610	780	209	2,937
Accumulated depreciation	(135)	(97)	(287)	(47)	(566)
Closing net carrying amount	**1,203**	**513**	**493**	**162**	**2,371**

There were no restrictions existing on title to property, plant and equipment and no property, plant and equipment was pledged as security for liabilities as at 31 March 2016 (31 March 2015: nil, 31 December 2015: nil).

As at 31 March 2016 contractual commitments relating to the purchase of furniture and computer equipment was nil (31 March 2015: $27,000, 31 December 2015: nil).

11. DUE TO OTHER FINANCIAL INSTITUTIONS

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Loans and advances due to other financial institutions – term	82,000	12,221	14,500
Accrued Interest	84	13	12
Total amount due to other financial institutions	**82,084**	**12,234**	**14,512**

Included in due to other financial institutions as at 31 March 2016 was $nil (31 March 2015: nil, 31 December 2015: nil) of collateral pledged by counterparties in respect of its credit support annex obligations to the Bank.

12. DEPOSITS FROM CUSTOMERS

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Demand deposits not bearing interest	-	-	-
Demand deposits bearing interest	17,891	-	34,780
Term deposits	55,519	-	62,680
Total deposits from customers	**73,410**	**-**	**97,460**

13. DEBT SECURITIES ISSUED

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Long term debt			
Domestic bonds	126,792	-	124,541
Total long term debt	**126,792**	**-**	**124,541**
Total debt securities issued	**126,792**	**-**	**124,541**
Debt securities issued at amortised cost	126,792	-	124,541
Total debt securities issued	**126,792**	**-**	**124,541**

Included in total debt securities issued were fair value hedge adjustments of $2,259,166 as at 31 March 2016 (31 March 2015: nil, 31 December 2015: $727,503).

Details of the terms and conditions of debt securities issued by the Bank as at 31 March 2016 were as follows:

Short term debt

The Bank has no short term debt securities issued as at 31 March 2016 (31 March 2015: nil, 31 December 2015: nil).

Long term debt

During the three months ended 31 March 2016, $126,792,000 (31 March 2015: nil, 31 December 2015: $124,541,000) of long term debt securities was issued by the Bank.

The Bank has not had any defaults of principal, interest or other breaches with regard to all liabilities during the three months ended 31 March 2016 (31 March 2015: nil, 31 December 2015: nil).

14. 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 31 March 2016, the Bank had no controlled entities.

Transactions with related parties

For the three months ended	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000
Interest income		
Received from Ultimate Parent Bank	2	47
Received from other related parties	-	-
Interest expense		
Paid to Ultimate Parent Bank	-	-
Paid to other related parties	(340)	-
Non-interest income		
Received from Ultimate Parent Bank	-	-
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 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Due from related parties			
Due from Ultimate Parent Bank	1,924	12,249	6,956
Due from other related parties	-	-	-
Total Related Party Assets	**1,924**	**12,249**	**6,956**
Due to related parties			
Due to Ultimate Parent Bank	79,799	616	80,449
Due to other related parties	-	-	29,212
Total Related Party Liabilities	**79,799**	**616**	**109,661**
Derivative financial liabilities			
Derivative with Ultimate Parent Bank	212	-	90
Total Derivative Financial Liabilities With Related Parties	**212**	**-**	**90**

There were no debts with any related parties written off or forgiven during the three months ended 31 March 2016 (31 March 2015: nil, 31 December 2015: nil).

No provisions for impairment loss have been recognised in respect of loans given to related parties as at 31 March 2016 (31 March 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 31 March 2016 is $755,278 (31 March 2015: $12,249,426, 31 December 2015: $106,930).

The Bank holds nostro accounts with the Ultimate Parent Bank. The total balance as at 31 March 2016 is $1,168,843 (31 March 2015: nil, 31 December 2015: $6,848,646).

The Bank has borrowed funds from the Ultimate Parent Bank and from other Overseas Branches. 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 $75,000,000 from other overseas branches and repaid US $20,000,000, inclusive of interest of $340,000. (31 March 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 $212,000 revaluation loss provision for the foreign exchange swap deal with the Ultimate Parent Bank as at 31 March 2016. This is included in derivative financial liabilities in balance sheet (31 March 2015: nil, 31 December 2015: $90,000).

15. 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 page 26 and 27.

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 market accepted valuation techniques. The use of a market accepted valuation technique will typically involve the use of a valuation model and appropriate inputs to the model.

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

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

"Level 1" – Quoted market price

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

"Level 2" – Valuation technique using observable inputs

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

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

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

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

As at 31 March 2016 (Unaudited)	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Derivative financial assets	-	2,927	-	2,927
Total financial assets carried at fair value	**-**	**2,927**	**-**	2,927
Financial liabilities				
Derivative financial liabilities	-	-	-	-
Total financial liabilities carried at fair value	**-**	**-**	**-**	**-**

As at 31 March 2015 (Unaudited)	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Derivative financial assets	-	-	-	-
Total financial assets carried at fair value	**-**	**-**	**-**	**-**
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**

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. The timing of recognising transfers is the same for transfers into the levels as for transfers out of the levels. There have been no transfers between levels 1 and 2 during the three months ended 31 March 2016 (31 March 2015: nil, 31 December 2015: nil). There have been no transfers into/out of level 3 during the three months ended 31 March 2016 (31 March 2015: nil, 31 December 2015: nil).

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 31 March 2016		Unaudited 31 March 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	28,003	28,003	-	-	20,001	20,001
Due from other financial institutions	1,389	1,389	31,563	31,563	64,820	64,820
Loans and advances	389,866	378,446	25,289	24,985	320,588	306,666
Due from related parties	1,924	1,924	12,249	12,249	6,956	6,956
Total financial assets not measured at fair value	**421,182**	**409,762**	**69,101**	**68,797**	**412,365**	**398,443**
Financial liabilities						
Due to other financial institutions	82,084	82,084	12,234	12,234	14,512	14,512
Deposits from customers	74,775	73,410	-	-	97,926	97,460
Due to related parties	81,196	79,799	616	616	105,561	109,661
Debt securities issued at amortized cost	130,607	126,792	-	-	128,282	124,541
Other liabilities	-	-	8	8	223	223
Total financial liabilities not measured at fair value	**368,662**	**362,085**	**12,858**	**12,858**	**346,504**	**346,397**

Estimation of fair value

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

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

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

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

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

Derivative financial instruments

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

Loans and advances

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

Deposits from customers

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

Debt securities issued

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

Other financial assets / financial liabilities

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

16. NET CASH FLOWS USED IN OPERATING ACTIVITIES

For the three months ended	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000
Reconciliation of loss after income tax to net cash flows used in operating activities		
Loss after income tax	(704)	(750)
Adjustments:		
Impairment losses on loans and advances	72	22
Depreciation and amortisation	178	88
Deduct/(add) items reclassified as financial activities	1,609	-
Net (increase)/decrease in operating assets:		
Due from other financial institutions	-	33
Loans and advances	(71,852)	(21,182)
Due from related parties[1]	(648)	(367)
Other assets	(32)	(192)
Derivative financial assets	(1,969)	-
Net increase/(decrease) in operating liabilities:		
Due to other financial institutions	67,572	(20,932)
Deposits from customers	(24,050)	(501)
Debt securities issued	1,543	-
Derivative financial liabilities	(1,870)	-
Other liabilities	(171)	(23)
Net cash flows used in operating activities	**(30,322)**	**(43,804)**

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

17. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Capital expenditure commitments			
Property, plant and equipment	-	27	-
Intangible assets	-	-	-
Total	**-**	**27**	**-**

Leasing commitments

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

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Future aggregate minimum lease payments under non-cancellable operating leases:			
No later than 1 year	1,011	114	1,016
Later than 1 year and no later than 5 years	3,802	-	3,817
Later than 5 years	236	-	473
Total	**5,049**	**114**	**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 31 March 2016 of $74,568,000 (31 March 2015: nil, 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 were:

As at	Unaudited 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Financial guarantees	80	-	80
Standby letters of credit	-	-	391
Trade letters of credit	-	-	703
Non-financial guarantees	527	-	277
Total contingent liabilities	**607**	**-**	**1,451**
Undrawn Commitments	73,961	-	46,984
Total contingent liabilities and undrawn commitments	**74,568**	**-**	**48,435**

Other contingent liabilities

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

18. CONCENTRATION OF CREDIT EXPOSURES

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 31 March 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 31 March 2016				Unaudited 31 March 2015			
Percentage of Shareholder's Equity	Number of Non-Bank Counterparties				Number of Non-Bank Counterparties			
	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
As at Balance Date								
10% - 14%	-	-	2	2	-	-	-	-
15% - 19%	-	-	5	5	-	-	-	-
20% - 24%	-	-	1	1	-	-	-	-
25% - 29%	-	-	-	-	-	-	-	-
30% - 34%	-	-	-	-	-	-	-	-
35% - 39%	-	-	1	1	-	-	1	1
40%-44%	-	-	-	-	-	-	-	-
45%-49%	-	-	-	-	-	-	-	-
50%-54%	-	-	-	-	-	-	-	-
55%-59%	-	-	-	-	-	-	-	-
60%-64%	-	-	-	-	-	-	-	-
65%-69%	-	-	-	-	-	-	-	-
70%-74%	-	-	-	-	-	-	-	-
75%-79%	-	-	-	-	-	-	-	-
80%-84%	-	-	-	-	-	-	-	-
85%-89%	-	-	-	-	-	-	-	-
90%-94%	-	-	1	1	-	-	-	-
95%-99%	-	-	-	-	-	-	-	-

100%-104%	-	-	-	-	-	-	-	-
105%-109%	-	-	-	-	-	-	-	-
110%-114%	-	-	-	-	-	-	-	-
115%-119%	-	-	-	-	-	-	-	-
120%-124%	-	-	-	-	-	-	-	-
125%-129%	-	-	-	-	-	-	-	-
130%-134%	-	-	-	-	-	-	-	-
135%-139%	-	-	-	-	-	-	-	-
140%-144%	-	-	-	-	-	-	-	-
145%-149%	-	-	-	-	-	-	-	-
150%-154%	-	1	-	1	-	-	-	-
Total	**-**	**1**	**10**	**11**	**-**	**-**	**1**	**1**

	Unaudited 31 March 2016				Unaudited 31 March 2015			
Percentage of Shareholder's Equity	Number of Non-Bank Counterparties				Number of Non-Bank Counterparties			
	"A" Rated	"B" Rated	Unrated	Total	"A" Rated	"B" Rated	Unrated	Total
Peak Exposure								
10% - 14%	-	-	2	2	-	-	-	-
15% - 19%	-	-	5	5	-	-	-	-
20% - 24%	-	-	1	1	-	-	-	-
25% - 29%	-	-	-	-	-	-	-	-
30% - 34%	-	-	-	-	-	-	-	-
35% - 39%	-	-	1	1	-	-	1	1
40%-44%	-	-	-	-	-	-	-	-
45%-49%	-	-	-	-	-	-	-	-
50%-54%	-	-	-	-	-	-	-	-
55%-59%	-	-	-	-	-	-	-	-
60%-64%	-	-	-	-	-	-	-	-
65%-69%	-	-	-	-	-	-	-	-
70%-74%	-	-	-	-	-	-	-	-
75%-79%	-	-	-	-	-	-	-	-
80%-84%	-	-	-	-	-	-	-	-
85%-89%	-	-	-	-	-	-	-	-
90%-94%	-	-	1	1	-	-	-	-
95%-99%	-	-	-	-	-	-	-	-
100%-104%	-	-	-	-	-	-	-	-
105%-109%	-	-	-	-	-	-	-	-
110%-114%	-	-	-	-	-	-	-	-
115%-119%	-	-	-	-	-	-	-	-
120%-124%	-	-	-	-	-	-	-	-
125%-129%	-	-	-	-	-	-	-	-
130%-134%	-	-	-	-	-	-	-	-
135%-139%	-	-	-	-	-	-	-	-

140%-144%	-	-	-	-	-	-	-	-
145%-149%	-	-	-	-	-	-	-	-
150%-154%	-	1	-	1	-	-	-	-
Total	**-**	**1**	**10**	**11**	**-**	**-**	**1**	**1**

	Audited 31 December 2015			
	Number of Non-Bank Counterparties			
Percentage of Shareholder's Equity	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**
As at Balance Date				
10% - 14%	-	-	2	2
15% - 19%	-	-	5	5
20% - 24%	-	-	1	1
25% - 29%	-	-	-	-
30% - 34%	-	-	-	-
35% - 39%	-	-	1	1
40%-44%	-	-		
45%-49%	-	-	-	-
50%-54%	-	-	-	-
55%-59%	-	-	-	-
60%-64%	-	-	-	-
65%-69%	-	-	-	-
70%-74%	-	-	-	-
75%-79%	-	-	-	-
80%-84%	-	-	-	-
85%-89%	-	-		
90%-94%	-	-	1	1
95%-99%	-	-	-	-
100%-104%	-	-	-	-
105%-109%	-	-	-	-
110%-114%	-	-	-	-
115%-119%	-	-	-	-
120%-124%	-	-	-	-
125%-129%	-	-	-	-
130%-134%	-	-	-	-
135%-139%	-	-	-	-
140%-144%	-	-	-	-
145%-149%	-	-	-	-
150%-154%	-	1	-	1
Total	**-**	**1**	**10**	**11**

	Audited 31 December 2015			
	Number of Non-Bank Counterparties			
Percentage of Shareholder's Equity	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**
Peak Exposure				
10% - 14%	-	-	2	2
15% - 19%	-	-	5	5
20% - 24%	-	-	1	1
25% - 29%	-	-	-	-
30% - 34%	-	-	-	-
35% - 39%	-	-	1	1
40%-44%	-	-		
45%-49%	-	-	-	-
50%-54%	-	-	-	-
55%-59%	-	-	-	-
60%-64%	-	-	-	-
65%-69%	-	-	-	-
70%-74%	-	-	-	-
75%-79%	-	-	-	-
80%-84%	-	-	-	-
85%-89%	-	-	-	-
90%-94%	-	-	1	1
95%-99%	-	-	-	-
100%-104%	-	-	-	-
105%-109%	-	-	-	-
110%-114%	-	-	-	-
115%-119%	-	-	-	-
120%-124%	-	-	-	-
125%-129%	-	-	-	-
130%-134%	-	-	-	-
135%-139%	-	-	-	-
140%-144%	-	-	-	-
145%-149%	-	-	-	-
150%- 154%	-	1	-	1
Total	**-**	**1**	**10**	**11**

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.

19. 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

20. 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 31 March 2016 $000	Unaudited 31 March 2015 $000	Audited 31 December 2015 $000
Cash and cash equivalents:			
Cash and balances with central banks	28,003	-	20,001
Due from other financial institutions (call or original maturity of 3 months or less)	1,389	31,563	64,820
Due from related parties[1]	1,169	-	6,849
Reverse repurchase agreements	-	-	-
Government bonds, notes and securities	-	-	-
Local and semi-government bonds, notes and securities	-	-	-
Corporate and other institutions bonds, notes and securities	-	-	-
Total liquidity portfolio	**30,561**	**31,563**	**91,670**

(1) Due from related parties was Nostro account balance held with the Parent Bank as at 31 December 2015 and 31 March 2016.

21. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 28 April 2016, the Bank issued a Floating Rate Subordinated Medium Term Note ("Note") of $15,000,000 which qualifies as Tier 2 capital for the purposes of "Capital Adequacy Framework (Standardised Approach)". The Note will mature on 28 April 2023 and interest will be paid quarterly.

On 20 May 2016, the Bank's Chief Executive and Executive Director, Mr Xu Changning, advised the Board that he is resigning from his position effective from 30 June 2016. A process is underway to appoint a replacement.

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

22. 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. The Bank does not have any Tier 2 capital components as at 31 March 2016.

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

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

In addition to minimum capital requirements, Basel III introduces a capital conservation buffer of 2.5 per cent of risk-weighted assets. There are increasing constraints on capital distributions where a bank's capital level falls within the buffer range, which are specified in the conditions of registration on page 5.

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 three months ended 31 March 2016.

There were no significant capital initiatives undertaken during the three months ended 31 March 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 31 March 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 31 March 2016 (Unaudited)	2016 $000
Tier One Capital	
Common Equity Tier One capital	
Issued and fully paid-up ordinary share capital	58,630
Retained earnings (net of appropriations)	(6,155)
Accumulated other comprehensive income and other disclosed reserves[1]	-
Less deductions from Common Equity Tier One capital	
Intangible assets	60
Cash flow hedge reserve	-

Deferred tax assets	-
Total Common Equity Tier One capital	**52,415**
Additional Tier One capital	
Nil	-
Total Additional Tier One capital	-
Total Tier One capital	**52,415**
Tier Two capital	
Nil	-
Total Tier Two capital	-
Total capital	**52,415**

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

Capital instruments

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

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 to directors' resolutions being passed.

The Bank does not have any other classes of capital instrument in its capital structure.

Credit risk

On-balance sheet exposures

As at 31 March 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	28,003	0%	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	-	-	-	-
Banks rating grade 1	1,389	20%	278	22
Banks rating grade 2 (≤ 3 months)	1,924	20%	385	31
Corporate-without recognised mitigation	262,969	100%	262,969	21,037
Corporate-secured by financial guarantee	10,208	50%	5,104	408
Residential mortgages (owner occupied) not past due-LVR up to 80%	57,410	35%	20,094	1,607

Residential mortgages (investment) not past due-LVR up to 80%	47,338	40%	18,935	1,515
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	-	-	-	-
Total on-balance sheet exposures	**409,241**	**-**	**307,765**	**24,620**

Off-balance sheet exposures and market related contracts

As at 31 March 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	80	100%	80	100%	80	6
Asset sale with recourse	-	100%	-	-	-	-
Forward asset purchase	-	100%	-	-	-	-
Commitment with certain drawdown	-	100%	-	-	-	-
Note issuance facility	-	50%	-	-	-	-
Revolving underwriting facility	14,184	50%	7,092	100%	7,092	567
Performance-related contingency	527	50%	263	100%	263	21
Trade-related contingency	-	20%	-	-	-	-
Placements of forward deposits	-	100%	-	-	-	-
Other commitments where original maturity is more than one year	26,790	50%	13,395	100%	13,395	1,072
Other commitments where original maturity is more than one year	1,186	50%	593	40%	237	19
Other commitments where original maturity is more than one year	5,464	50%	2,732	35%	956	76
Other commitments where original maturity is less than or equal to one year	24,441	20%	4,888	100%	4,888	391
Other commitments where original maturity is less than or equal to one year	1,896	20%	379	35%	133	11
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	69,520	1%	826	20%	165	13
Foreign exchange contracts	10,006	1%	100	50%	50	4
(b) Interest rate contracts (exposure less than 1 year)	70,000	0%	-	20%	-	-
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	8,325	0.5%	282	100%	282	23
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	20,000	0.5%	310	50%	155	12
Interest rate contracts (exposure more than 1 year and less than or equal to 5 years)	98,890	0.5%	3,248	20%	650	52

As at 31 March 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
(c) Other – OTC etc.	-	n/a		-	-	-
Total off-balance sheet exposures	**351,309**	**-**	**34,188**	**-**	**28,346**	**2,267**

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

Additional mortgage information

Residential mortgages by loan-to-valuation ratio

As at 31 March 2016 (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan-to-valuation ratio				
On-balance sheet exposures	105,171	-	-	105,171
Off-balance sheet exposures	8,546	-	-	8,546
Value of exposures	**113,717**	**-**	**-**	**113,717**

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 31 March 2016 (Unaudited)	$000
Term loans – housing (as disclosed in Note 8) and Residential mortgages – total gross loans and advances (as disclosed in Note 9)	105,276
Reconciling items:	
Provisions for impairment losses on loans and advances	(105)
Residential mortgages by loan-to-valuation ratio	105,171

Credit risk mitigation

As at 31 March 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	2,000	-
Residential mortgage	-	-

Other	-	-
Total	**2,000**	**-**

Operational risk

As at 31 March 2016 (Unaudited)	Implied weighted exposure $000	Total operational risk capital requirement $000
Operational risk	47,613	3,809

Market risk

	End-period capital charges	
As at 31 March 2016 (Unaudited)	Implied risk weighted exposure $000	Aggregate capital charge $000
Interest rate risk	8,916	713
Foreign currency risk	684	55
Equity risk	-	-
Total	**9,600**	**768**

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 31 March 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	443,429	336,111	26,887
Operational risk	n/a	47,613	3,809
Market risk	n/a	9,600	768
Total	**443,429**	**393,324**	**31,464**

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 31 March 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 31 March 2016 %	Unaudited 31 March 2015 %
Capital adequacy ratios		
Common Equity Tier 1 capital ratio	13.33%	111.20%
Tier 1 capital ratio	13.33%	111.20%
Total capital ratio	13.33%	111.20%
Reserve Bank minimum ratio requirements		
Common Equity Tier 1 capital ratio	4.50%	4.5%
Tier 1 capital ratio	6.00%	6.0%
Total capital ratio	8.00%	8.0%
Buffer ratio		
Buffer ratio	5.33%	103.20%
Buffer ratio requirement	2.50%	2.5%