

CREDIT UNION BAYWIDE

UNAUDITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 December 2019

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Board of Directors	Chair	I Taylor
	Vice Chair	J Fredric
	Directors	A Bartlett G Clouston A Connolly L Edwards C Lord G Pryor G Travis S Wakefield (resigned 10 September 2020) T White K Imrie (retired 30 October 2019) C Matthews (retired 30 October 2019) P McKnight (appointment ended 30 April 2020)
Associate Directors		J McGillicuddy (appointment ended 30 October 2019)
Trustees		A Bartlett (appointment ended 30 October 2019) L Edwards (appointed 30 October 2019) * C Lord * I Taylor * * Appointment ended 31 December 2019 following the incorporation of the Credit Union, and the position of Trustee no longer being required.
Auditors		PricewaterhouseCoopers New Zealand
Supervisor		Trustees Executors Limited
Affiliations		New Zealand Association of Credit Unions (NZACU) - T/A Co-op Money NZ

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE REVENUE AND EXPENSE**

For the period ended 31 December 2019

Credit Union Baywide

		Unaudited Six Months to Dec 19 \$'000	Unaudited Six Months to Dec 18 \$'000
Operating revenue			
Interest revenue	4a	22,006	12,558
Interest expenditure	4b	6,012	5,156
Net interest revenue		15,994	7,402
Transaction and fee revenue		3,671	1,083
Transaction and fee expenditure		3,548	1,370
Net transaction and fee revenue		123	(287)
Other income		598	219
Total operating revenue		16,715	7,334
Other Expenses			
Bad and impaired loans	4c	2,308	438
Employee expenditure		8,046	4,118
Other expenditure		6,297	2,761
Total operating expenditure		16,651	7,317
Operating surplus / (deficit) for the period		64	17
Share of surplus / (deficit) of investment in associate		(316)	-
Surplus / (deficit) for the period attributable to members		(252)	17
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense for the period attributable to members		(252)	17

**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY**
For the period ended 31 December 2019

Credit Union Baywide

	Note	Accumulated comprehensive revenue and expense \$'000	Total Equity \$'000
Balance at 1 July 2019		57,909	57,909
Total comprehensive revenue and expense for the period attributable to members		(252)	(252)
Total net transactions		(252)	(252)
Balance at 31 December 2019 (unaudited)	5	57,657	57,657
Balance at 1 July 2018		40,893	40,893
Total comprehensive revenue and expense for the period attributable to members		17	17
Total net transactions		17	17
Balance at 31 December 2018 (unaudited)	5	40,910	40,910

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION Credit Union Baywide

As at 31 December 2019

	Note	Unaudited Dec 19 \$'000	Audited Jun 19 \$'000
EQUITY			
Accumulated comprehensive revenue and expenses		57,657	57,909
TOTAL EQUITY	5	57,657	57,909
ASSETS			
Cash and cash equivalents	6	29,908	27,568
Short term and other investments	7	88,840	89,495
Members' loans	8	379,069	386,482
Other assets		15,017	14,580
Investment in Associate	10	7,667	-
Available for sale investments	10	-	2,906
TOTAL ASSETS		520,501	521,030
LIABILITIES			
Trade and other payables		9,540	7,165
Other liabilities		624	646
Members' deposits	11	452,680	455,310
TOTAL LIABILITIES		462,844	463,121
NET ASSETS		57,657	57,909

For and on behalf of the Board, who authorised the issue of these financial statements on 7 October 2020.



I Taylor
Chair



J Fredric
Vice Chair

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2019

Credit Union Baywide

	Unaudited Six Months to Dec 19 \$'000	Unaudited Six Months to Dec 18 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from/(applied to):		
Interest received	22,136	11,938
Transaction and other fees received	3,707	1,088
Commissions received	598	219
Bad loans recovered	313	78
Interest paid	(6,299)	(5,200)
Transaction and fee expenditure paid	(3,562)	(1,295)
Payments to suppliers & employees	(14,183)	(6,464)
	2,710	364
Net changes in operating assets and liabilities		
Net decrease/(increase) in short term investments	506	(4,902)
Net decrease/(increase) in members' loans	4,767	15,538
Net increase/(decrease) in members' deposits	507	(10,005)
	5,780	631
Net operating cash flows	21 8,490	995
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from/(applied to):		
Loan to Co-op Money NZ	(625)	-
Investment in Associates / Available for sale investments	(4,852)	-
Dividend received	-	-
Payments for other assets	(673)	(545)
	(6,150)	(545)
Net investing cash flows	(6,150)	(545)
Total net increase in cash and cash equivalents held	2,340	450
Cash and cash equivalents at the beginning of the period	27,568	9,627
Cash and cash equivalents at the end of the period	29,908	10,077
Represented by:		
Cash and cash equivalents	29,908	10,077

For the period ended 31 December 2019

1 REPORTING ENTITY

Legislative Framework

The condensed consolidated interim financial statements for the "Group" are for the economic entity comprising Credit Union Baywide "the Credit Union" and its controlled entity the Credit Union Warehouse A Trust (the "Trust").

Credit Union Baywide (the Credit Union) is a financial institution registered and incorporated in New Zealand under the Friendly Societies and Credit Unions Act 1982. The Credit Union is a FMC (Financial Markets Conduct) reporting entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013 and a not-for-profit public benefit entity as defined by New Zealand equivalents to International Financial Reporting Standards. The Credit Union is a licensed Non-bank Deposit Taker under the Non-bank Deposit Takers Act 2013.

The financial report is a general purpose financial report for the Group which has been prepared in accordance with the Financial Reporting Act 2013, the Friendly Societies and Credit Unions Act 1982 and the Financial Markets Conduct Act 2013. The Credit Union is domiciled in New Zealand and its principal place of business is 100 St Aubyn St, Hastings, Hawke's Bay. The common bond (i.e. qualification for membership) of the Credit Union is all persons who currently or formerly resided in New Zealand, registered charities and incorporated societies.

Trust Deed

To meet the requirements of the Financial Markets Conduct Act 2013, a revised Trust Deed was entered into on 22 August 2016 between the Trustees of the Credit Union and Trustees Executors Limited. Trustees Executors Limited as the Supervisor was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed, the Friendly Societies and Credit Unions Act 1982 and the Financials Markets Conduct Act 2013. In addition, the Supervisor is under duty to:

- (a) act honestly and in the best interests of the Members;
- (b) act on behalf of Members in relation to the Credit Union and any matter under the Trust Deed or as part of the Credit Union's obligations;
- (c) exercise reasonable diligence to ascertain whether or not the Credit Union has committed any breach of the Trust Deed or any of the conditions of the issue of shares; and
- (d) do all the things it is empowered to do to cause any breach of those terms to be remedied except if it is satisfied that the breach will not have a material adverse affect on the Member.

The Supervisor is also responsible for monitoring the Credit Union's performance of its obligations under the Trust Deed and to ascertain whether or not the assets of the Credit Union are sufficient, or likely to be sufficient, to meet its obligations to Members, as they fall due.

2 BASIS OF PREPARATION

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with PBE IAS 34 *Interim Financial Reporting* and do not include all the information required for full annual financial statements, as appropriate for Tier 1 not-for-profit entities. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements dated 30 June 2019. These condensed consolidated interim financial statements were authorised for issue by the Directors on 7 October 2020.

b. Significant Accounting Estimates and Assumptions

The preparation of interim financial statements requires the Group to make judgements, estimates and assumptions that affect the reported amounts in the interim financial statements. Actual results may differ from these estimates under different conditions and may materially affect financial results or the financial position reported in future periods.

In preparing these condensed interim financial statements, significant accounting estimates and assumptions made by management in applying the Group's accounting policies and the key factors contributing to estimated uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2019, with the exception of:

Critical estimates, judgement and assumptions in applying the accounting policies:

The determination of significant influence in relation to Co-op Money NZ post the acquisition of further Base Capital Notes (refer to note 10).

The operations of the Credit Union are not considered to be seasonal or cyclical.

For the period ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICES

The accounting policies applied by the Credit Union in these condensed consolidated interim financial statements are the same as those applied by the Credit Union in its financial statements as at and for the year ended 30 June 2019 with the exception of:

Investment in Associates

Investment in Associate assets include entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in Associates comprise of the Group's investment in Co-op Money NZ and is measured using the equity method.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, or where there has been an impairment the fair value is the deemed cost, and the carrying amount is then increased or decreased to recognise the Group's share of the surplus or deficit of the investee after the date of acquisition. The Group's share of the investee's surplus or deficit is recognised in the Group's surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment.

4 REVENUE AND EXPENDITURE

		Unaudited Six Months to Dec 19 \$'000	Unaudited Six Months to Dec 18 \$'000
a. Interest Revenue	Note		
Interest on unimpaired loans		19,916	10,868
Interest on impaired loans		399	99
Interest on investments		1,691	1,591
Total interest revenue		<u>22,006</u>	<u>12,558</u>
b. Interest Expenditure			
Interest on members' call deposits		817	629
Interest on members' term deposits		5,195	4,527
Total interest expenditure		<u>6,012</u>	<u>5,156</u>
c. Bad and Impaired Loans Expenditure			
Bad loans written off		4,693	370
Bad debt recoveries		(303)	(78)
Movement in allowance for specific loan impairments	9a	(2,289)	186
Movement in allowance for collective loan impairments	9b	207	(40)
Total bad and impaired loans expenditure		<u>2,308</u>	<u>438</u>

5 EQUITY

The Trust Deed requires the Credit Union to maintain a minimum risk weighted capital ratio of 8%, as the Credit Union has a credit rating with an approved rating agency. However, the Supervisor has required the minimum Capital Ratio to be set at 8.5%, effective from 1 May 2019, as a condition of the Securitisation Programme.

On 23 December 2019 FitchRatings services affirmed the Credit Union's long-term issuer credit rating of 'BB' with a stable outlook and short-term issuer credit rating of 'B' which is unchanged from the previous rating. The capital ratio is calculated in accordance with the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Disclosures) Regulations 2010. The Credit Union had a risk weighted capital ratio of 10.17% as at 31 December 2019 (30 June 2019: 10.70%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Credit Union Baywide

For the period ended 31 December 2019

	Unaudited	Audited
6 CASH AND CASH EQUIVALENTS	Dec 19	Jun 19
	\$'000	\$'000
Cash and on call deposits	29,908	27,568
Total cash and cash equivalents	29,908	27,568

All cash and cash equivalents are current assets.

	Unaudited	Audited
7 SHORT TERM AND OTHER INVESTMENTS	Dec 19	Jun 19
	\$'000	\$'000
Term deposits with registered Banks	88,840	89,495
Total short term investments	88,840	89,495

There is a restriction on withdrawing the deposits at Westpac New Zealand Ltd below the value of the settlement bond. The settlement bond is based on the extent the Credit Union utilises the overnight bank settlement service. As at 31 December 2019 the settlement bond was \$8,054k (30 June 2019 \$8,050k). All short term investments are current assets.

The Settlement Bond is an agreement between Credit Union Baywide and Co-op Money NZ, consented to by the Supervisor, whereby a sum of up to 3% of Credit Union Baywide's total tangible assets is excluded from the Supervisor's Security Interest over those assets. In the event that Credit Union Baywide is unable to settle its inter-bank requirements, the Settlement Bond enables Co-op Money NZ to make the required payment.

8 MEMBERS' LOANS

	Unaudited	Audited
	Dec 19	Jun 19
	\$'000	\$'000
a. Members' Loans comprise:		
Personal loans	166,012	149,810
Mortgages	218,639	244,336
Gross loans receivable	384,651	394,146
Provision for impairment (refer to note 9)	(5,582)	(7,664)
Net loans receivable	379,069	386,482
b. Loan maturity		
Current portion of loans	90,672	50,441
Non current portion of loans	288,397	336,041
Net loans receivable	379,069	386,482

For the period ended 31 December 2019

8 MEMBERS' LOANS (CONTINUED)	Unaudited	Audited
	Dec 19	Jun 19
	\$'000	\$'000
c. Credit quality - security dissection		
Secured by first mortgages over real estate		
home loans insured by Housing New Zealand Corp	13,973	16,711
over 80% LVR*	132,369	127,922
under 80% LVR*	71,550	98,535
Secured by members' deposits	11,221	7,773
Secured by other assets **	99,502	94,920
Unsecured loans and overdrafts	56,035	48,285
Gross loans receivable	<u><u>384,651</u></u>	<u><u>394,146</u></u>

* LVR is the loan value as a percentage of the property valuation.

**Secured by other assets includes the use of motor vehicles, boats, personal guarantees, second and subsequent mortgages, insurance policies etc registered on the Personal Property Securities Register (PPSR). This is not an exhaustive list. It is impracticable to provide a valuation of the collateral security held against loans because of the complexity and the potential volatility of the security values.

d. Credit quality - Concentration of loans	Dec 19	Jun 19
Loans to individual or related groups of members which exceed 10% of equity.	-	-
Members' Loans concentrated solely in New Zealand (and therefore within the common bond of the Credit Union) at the time of disbursement.	100%	100%

There are no known concentrations of Member's Loans to individuals employed in any particular industry.

Refer to note 18b for information on geographic concentration.

For the period ended 31 December 2019

9 IMPAIRMENT OF MEMBERS' LOANS

Provision for Impairment

a. Individual Impairment Allowance

	Gross Loans \$'000	Provision \$'000	Carrying Value \$'000
Opening balance 1 July 2019	9,140	(5,263)	3,877
Increase in allowance	5,789	(3,914)	1,875
Bad debts written off	(4,693)	4,693	-
Unused allowance reversed	(3,330)	1,510	(1,820)
Closing balance at 31 December 2019 (unaudited)	6,906	(2,974)	3,932

Opening balance 1 July 2018

Amalgamation of Credit Unions	7,896	(4,744)	3,152
Increase in allowance	2,203	(1,510)	693
Bad debts written off	(1,245)	1,245	-
Unused allowance reversed	(605)	128	(477)

Closing balance 30 June 2019 (audited)

9,140	(5,263)	3,877
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b. Collective Impairment Allowance

	Unaudited Dec 19 \$'000	Audited Jun 19 \$'000
Opening balance	(2,401)	(234)
Amalgamation of Credit Unions	-	(1,993)
Decrease/(Increase) in allowance	(207)	(174)
Closing balance	(2,608)	(2,401)
Total impairment allowance	(5,582)	(7,664)

c. Impairment Policy

The impairment policy adopted by the Credit Union for the interim financial reporting period ended 31 December 2019 is consistent with the policy applied for the annual financial reporting period ended 30 June 2019.

For the period ended 31 December 2019

9 IMPAIRMENT OF MEMBERS' LOANS (CONTINUED)

	Unaudited	Audited
d. Loan status - Impaired and past due loans	Dec 19	Jun 19
	\$'000	\$'000
Performing loans		
Neither past due nor individually impaired	359,889	361,202
Past due but not individually impaired		
1-10 days	10,281	14,449
11-20 days	4,636	4,338
21-30 days	1,402	1,652
Beyond 30 days	1,494	3,074
Total performing loans	<u>377,702</u>	<u>384,715</u>
Impaired Assets		
Restructured Loans	43	291
Individually impaired loans	6,906	9,140
Gross loans receivable	<u>384,651</u>	<u>394,146</u>

Individually Impaired Loans

Impaired loans		
Up to 90 days	4,632	5,060
Beyond 90 days	2,274	4,080
Total impaired loans	<u>6,906</u>	<u>9,140</u>
Provision for specific impairment	<u>(2,974)</u>	<u>(5,263)</u>
Individually impaired loans carrying value	<u>3,932</u>	<u>3,877</u>

The majority of loans categorised as 1-10 days in arrears at 31 December 2019 of \$10,281k (30 June 2019: \$14,449k) are loans to members considered to be meeting their contractual repayment obligations. These loans are classified as in arrears due to the timing of their repayments.

	Unaudited	Audited
Assets obtained by taking possession of collateral:	Dec 19	Jun 19
	\$'000	\$'000
Property	-	-
Motor Vehicles	9	151

The Credit Union's policy is to pursue a timely realisation of the collateral in an orderly manner. The Credit Union does not use the non-cash collateral for its own operations.

For the period ended 31 December 2019

10 INVESTMENT IN ASSOCIATES

	Unaudited Dec 19 \$'000	Audited Jun 19 \$'000
Opening Balance	-	-
Transfer from available for sale investments	7,983	-
The Group's share of total comprehensive income*	(316)	-
Closing balance	<u>7,667</u>	<u>-</u>
Proportion of ownership interest held by the Group in CMNZ	100%	53%
Proportion of voting rights held by the Group in CMNZ	33%	14%

On 19th November 2019 the Group acquired the remaining Base capital notes (BCNs) of Co-op Money NZ (CMNZ). In this process the Group went from being a 53% owner of the equity interest in CMNZ to a 100% owner and its voting interest increased from 14.3% to 33.3%. At this point it was determined that the Group had significant influence over the financial and operating decisions of CMNZ and the investment would be measured using the equity method. At June 2019 the BCNs were accounted for as available for sale investments.

CMNZ's financial year end date is 30 June 2019. The investment represents a 100% stake in CMNZ's net assets although they are adjusted to reflect fair value adjustments upon acquisition and accounting policy alignments.

The Group provides a lending facility to CMNZ. As at 31 December 2019 the outstanding balance was \$4,508k and is recognised in Other assets in the condensed consolidated statement of financial position (June 2019: \$3,861k). The Group has provided a financial guarantee on behalf of CMNZ to cover a limited amount of damages that CMNZ may incur as a result of a dispute with one of its service providers. The guarantee is limited to a maximum of \$0.5m.

	Unaudited Dec 19 \$'000
Summarised financial information of CMNZ*	
Current assets	3,542
Non-current assets	11,302
Current liabilities	(3,511)
Non-current liabilities	<u>(3,667)</u>
Equity attributable to owners of the Group*	<u>7,667</u>
Revenue	1,439
Profit or loss for the period	(316)
Other comprehensive income attributable to the owners of the credit union	100%
Total comprehensive income*	<u>(316)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in CMNZ recognised in the condensed consolidated interim financial statements

Net assets of associate	7,667
Proportion of the Group's ownership interest in the associate	<u>100%</u>
Carrying amount of the Group's interest in the associate*	<u>7,667</u>
From 19th November 2019 to 31 December 2019	
The Group's share of profit/(loss) from continuing operations	(316)
The Group's share of other comprehensive income	-
The Group's share of total comprehensive income*	<u>(316)</u>

* The equity accounting for the period ending 31 December 2019 is based off unaudited management accounts. Actual results for the full year may differ following audit procedures and any identified acquisition adjustments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Credit Union Baywide

For the period ended 31 December 2019

Available for sale disclosure of BCN holdings by the Group

Unaudited

Audited

Dec 19 **Jun 19**

\$'000 **\$'000**

a. Co-op Money NZ Base Capital Notes

Opening Balance	2,906	3,252
Amalgamations of Credit Unions	-	1,605
Additions	5,077	-
Impairment	-	(1,951)
Transfer to Investment in associates	(7,983)	-
Closing balance	<u>-</u>	<u>2,906</u>

11 MEMBERS' DEPOSITS

Unaudited

Audited

Dec 19 **Jun 19**

\$'000 **\$'000**

Call accounts	115,706	119,087
Call accounts not bearing interest	40,239	33,406
Total call deposits (all current liabilities)	<u>155,945</u>	<u>152,493</u>
Term deposits - current	252,079	253,845
Term deposits - non current	44,656	48,972
Total term deposits	<u>296,735</u>	<u>302,817</u>
Total Members' deposits	<u>452,680</u>	<u>455,310</u>

Members' deposits are secured by a first ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertakings, property, assets and revenues. The equitable assignment by way of security was granted in favour of Trustees Executors Limited, the Supervisor of the Credit Union, under the Trust Deed dated 22 August 2016.

The Credit Union has also granted to Trustees Executors Limited a security interest in all of its present and after-acquired personal property as additional security for the members' shares. Trustees Executors Limited has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same. The grant of this security interest is per the Trust Deed dated 22 August 2016.

12 COMMITMENTS

Outstanding Loan Commitments

Unaudited

Audited

Dec 19 **Jun 19**

\$'000 **\$'000**

Loans and credit facilities approved but not disbursed or drawn at the end of the financial period:

Loans approved but not funded	4,071	5,218
Undrawn overdraft and line of credit	487	462
Total outstanding commitments	<u>4,558</u>	<u>5,680</u>

For the period ended 31 December 2019

	Unaudited	Audited
	Dec 19	Jun 19
	\$'000	\$'000
Uncommitted overdraft facility and unused facility	0	250

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union. The policies applicable during the interim financial reporting period ending 31 December 2019 are consistent with those adopted for the annual financial reporting period ending 30 June 2019. Key risk management policies encompassed in the overall risk management framework include:

- > Market risk
- > Credit risk management
- > Liquidity risk management
- > Capital adequacy management

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Credit Union Baywide

For the period ended 31 December 2019

15 LIQUIDITY RISK - contractual maturity profile
As at 31 December 2019 (unaudited)
Financial Assets

 Cash and cash equivalents
 Term deposits - Banks
 Loan - Co-op Money NZ
 Members' loans
 Investment in Associates
 Available for sale investments
 Total financial assets

On Demand	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 to 2 Years	2 to 5 Years	Over 5 Years	Total \$'000
29,908								29,908
	22,332	24,313	21,363	13,279	-	-	8,543	89,829
	634	0	1,047	-	1,355	2,001	-	5,037
	14,354	14,520	21,289	40,509	63,963	123,573	329,656	607,863
							7,666	7,666
							0	0
29,908	37,320	38,832	43,697	53,789	65,319	125,574	345,865	740,304

Financial Liabilities

 Trade payables
 Overnight settlements
 Members' deposits
 Total financial liabilities

	1,078							1,078
7,246								7,246
155,941	30,419	55,916	87,663	83,287	35,811	9,920	0	458,957
163,187	31,497	55,916	87,663	83,287	35,811	9,920	0	467,282

Commitments

4,558

Cumulative liquidity (shortfall)/surplus

(137,837)	(132,014)	(149,097)	(193,063)	(222,562)	(193,054)	(77,400)	268,465
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As at 30 June 2019 (audited)
Financial Assets

 Cash and cash equivalents
 Term deposits - Banks
 Loan - Co-op Money NZ
 Members' loans
 Available for sale investments
 Total financial assets

On Demand	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 to 2 Years	2 to 5 Years	Over 5 Years	Total \$'000
27,568								27,568
	20,992	27,449	30,562	3,205	242	725	8,314	91,489
	11	23	34	1,071	1,312	1,715		4,166
	11,109	16,366	22,794	43,384	76,378	124,668	352,149	646,848
							2,906	2,906
27,568	32,112	43,838	53,389	47,659	77,932	127,108	363,370	772,977

Financial Liabilities

 Trade payables
 Overnight settlements
 Members' deposits
 Total financial liabilities

	1,860							1,860
3,772								3,772
152,493	25,667	51,584	83,510	101,736	37,420	11,552		463,962
156,265	27,528	51,584	83,510	101,736	37,420	11,552	-	469,594

Loan commitments

5,680

Cumulative liquidity (shortfall)/surplus

(134,376)	(129,791)	(137,537)	(167,658)	(221,734)	(181,223)	(65,667)	297,703
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Balances may differ to the Statement of financial position as the cashflows above are undiscounted.

The Credit Union manages liquidity on expected maturities, not contractual, as set out note 16.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

For the period ended 31 December 2019

16 LIQUIDITY RISK (CONTINUED) - expected maturity profile

As at 31 December 2019 (unaudited)

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
Financial Assets								
Cash and cash equivalents	29,908							29,908
Term deposits - Banks	22,332	24,313	21,363	13,279			8,543	89,829
Loan - Co-op Money NZ	634	0	1,047		1,355	2,001		5,037
Members' loans	20,344	37,467	58,916	94,667	122,908	87,181	17,957	439,440
Investment in Associates							7,666	7,666
Available for sale investments							-	-
Total financial assets	73,218	61,779	81,326	107,946	124,264	89,182	34,166	571,880
Financial Liabilities								
Trade payables	1,078							1,078
Overnight settlements	7,246							7,246
Members' deposits	32,424	60,227	94,685	101,439	40,442	25,803	97,553	452,574
Total financial liabilities	40,748	60,227	94,685	101,439	40,442	25,803	97,553	460,898
Commitments	4,558							
Cumulative liquidity surplus	27,910	29,462	16,102	22,609	106,431	169,810	106,424	

As at 30 June 2019 (audited)

	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
Financial Assets								
Cash and cash equivalents	27,568							27,568
Term deposits - Banks	20,992	27,449	30,562	3,205	242	725	8,314	91,489
Loan - Co-op Money NZ	11	23	34	1,071	1,312	1,715		4,166
Members' loans	19,020	42,186	60,033	106,657	122,911	82,192	12,895	445,893
Available for sale investments							2,906	2,906
Total financial assets	67,591	69,658	90,629	110,932	124,465	84,632	24,116	572,023
Financial Liabilities								
Trade payables	1,860							1,860
Overnight settlements	3,772							3,772
Members' deposits	32,447	58,963	90,946	115,933	48,483	35,505	104,385	486,662
Total financial liabilities	38,079	58,963	90,946	115,933	48,483	35,505	104,385	492,295
Loan commitments	5,680							
Cumulative liquidity surplus	23,832	34,527	34,210	29,209	105,191	154,317	74,048	

Balances may differ to the Statement of Financial Position as the cashflows above are undiscounted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Credit Union Baywide

For the period ended 31 December 2019

17 INTEREST RATE RISK

Interest Repricing profile*

	Floating interest rate		Fixed interest rate maturing in:										Non-interest sensitive		Total	
			0 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years					
	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets																
Cash & cash equivalents	29,908	27,568													29,908	27,568
Term deposits - Banks			67,646	79,003	13,279	3,205	-				8,125	8,314			89,051	90,523
Loan - Co-op Money NZ	5,037					1,071		1,312		1,715					5,038	4,098
Members' loans	72,837	86,708	92,011	102,479	104,472	103,087	91,908	82,257	17,842	11,951					379,069	386,482
Investment in Associates													7,666		7,666	2,906
Available for sale investments		-												2,906	-	2,906
Total financial assets	107,782	114,276	159,657	181,482	117,750	107,362	91,908	83,569	17,842	13,667	8,125	8,314	7,666	2,906	510,730	511,576
Financial Liabilities																-
Members' deposits - call	155,945	119,086												33,406	155,945	152,493
Members' deposits - term			170,111	156,762	81,967	97,084	35,045	37,420	9,612	11,551					296,734	302,817
Trade payables													1,078	1,860	1,078	1,860
Overnight settlements													7,246	3,772	7,246	3,772
Total financial liabilities	155,945	119,086	170,111	156,762	81,967	97,084	35,045	37,420	9,612	11,551	-	-	8,324	39,039	461,004	460,941
Total Mismatch	(48,163)	(4,810)	(10,455)	24,720	35,784	10,279	56,863	46,149	8,230	2,116	8,125	8,314	(658)	(36,132)	49,726	50,635

*Figures as at 31 December 2019 are unaudited whereas figures at 30 June 2019 are audited.

For the period ended 31 December 2019

18 OTHER CREDIT RISKS**a. Maximum Credit Risk Exposure**

The Group's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the condensed consolidated statement of financial position and any commitments not yet disbursed by the Credit Union.

	Unaudited Dec-19 \$'000	Audited Jun-19 \$'000
Cash and cash equivalents	29,908	27,568
Short term and Other investments	88,840	89,495
Members' loans	379,069	386,482
Other assets	4,508	3,861
Total Credit Risk	<u>497,817</u>	<u>507,407</u>
Unrecognised loan commitments	4,558	5,680
Maximum credit risk	<u><u>502,375</u></u>	<u><u>513,087</u></u>

For details of collateral held as security against Members' loans refer to note 8. No collateral is held for Cash and cash equivalents or Short term and Other investments.

b. Concentrations of Credit Risk

The Group minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of members. Credit risk is currently managed to reduce the Group's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement. Accordingly, loans are concentrated in and limited to the area of the 'common bond' and consequently the Group's lending is almost exclusively to individuals residing within New Zealand. The table below outlines the geographic concentration of risk, based on NZ Post Office districts, greater than 4%.

	Unaudited Dec 19 \$'000	Unaudited Dec 19 %	Audited Jun 19 \$'000	Audited Jun 19 %
Auckland City	33,422	9%	30,900	8%
Christchurch City	42,310	11%	41,518	11%
Hastings District	16,595	4%	18,793	5%
Lower Hutt City	16,055	4%	16,387	4%
Napier City	21,961	6%	22,441	6%
Whanganui District	20,570	5%	24,432	6%

18 OTHER CREDIT RISKS (CONTINUED)

c. Counterparty Exposure

The Group has exposure to counter-parties in excess of 10% of equity as follows:

	Number of counter-parties	
	Unaudited	Audited
	Dec-19	Jun-19
Greater than 100% of equity		
Between 90% and 100% of equity		
Between 80% and 90% of equity		
Between 70% and 80% of equity		
Between 60% and 70% of equity	1	
Between 50% and 60% of equity		1
Between 40% and 50% of equity		1
Between 30% and 40% of equity	4	
Between 20% and 30% of equity		2
Between 10% and 20% of equity	1	1

The counterparties comprise registered banks and Co-op Money NZ.

d. Members' Loans

The Group's loan agreements provide that any and all deposits may be used to offset an individual loan to the limit of their liability. Under the Group's Rules, the maximum indebtedness and repayment terms of a member shall not, without the prior consent of the Registrar, exceed the following limits:

Unsecured Loan 5% of the value of the assets of the Group and 10 Years

Secured Loan 10% of the value of the assets of the Group and 30 Years

	Unaudited	Audited
	Dec 19	Jun-19
The proportion of loans owed in aggregate by the members who owe the six largest amounts is:	0.94%	1.06%
	\$'000	\$'000
The Group offers a short term overdraft facility which members utilise from time to time. The amount overdrawn at period end was:	2,671	3,156

For the period ended 31 December 2019

19 CONCENTRATION OF FUNDING

The Group's funding is derived from its members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union funding is almost exclusively from individuals residing within New Zealand. The funding from members is recorded as Members' Deposits in the condensed consolidated statement of financial position. The table below outlines the geographic concentration of funding, based on NZ Post Office districts, greater than 4%.

	Unaudited Dec 19 \$'000	Unaudited Dec 19 %	Audited Jun-19 \$'000	Audited Jun-19 %
Central Hawkes' Bay District	17,912	4%	18,107	4%
Dunedin City	21,931	5%	22,549	5%
Hastings District	67,365	15%	66,689	15%
Invercargill City	18,392	4%	19,126	4%
Lower Hutt City	19,352	4%	17,923	4%
Napier City	97,843	22%	98,524	22%

20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

There has been no change in the fair value hierarchy classification from 30 June 2019.

21 CASH FLOW STATEMENT RECONCILIATION

	Unaudited Dec 19 \$'000	Unaudited Dec 18 \$'000
Reconciliation of operating profit to operating cash flows		
Operating surplus / (deficit) for the period	(252)	17
Non Cash Items		
Depreciation and Amortisation	871	404
(Gain)/loss on sale	(12)	(13)
Bad & impaired loan expense (excluding debt recoveries)	2,621	516
Share of (surplus) / deficit of the investment in associate	316	-
Changes in Assets and Liabilities		
decrease/(increase) in members' loans	4,767	15,538
decrease/(increase) in short term and other investments	506	(4,902)
decrease/(increase) in accrued interest on loans and investments	173	(523)
decrease/(increase) in prepayments and accrued income	2	44
increase/(decrease) in members' deposits	507	(10,005)
increase/(decrease) in accrued interest on member's deposits	(288)	(44)
increase/(decrease) in trade and other payables	(721)	(37)
Net operating cash flows	<u>8,490</u>	<u>995</u>

22 RELATED PARTY TRANSACTIONS

Unaudited	Unaudited
Dec 19	Dec 18
\$'000	\$'000

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and the Executive Management team of the Group.

Deposits owing to key management at balance date	504	571
Loans owing from key management at balance date	6	157
Interest expense paid to key management during the period	6	11
Interest income received from key management during the period	4	4

All key management deposits and loans are at the same interest rates and terms as for other members. There are no impairment provisions against any of the loans.

Mr Iain Taylor, a Director of the Credit Union is also a partner of Gifford Devine. This firm provided legal services to the value of:

23	8
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The amount owing to Gifford Devine at the end of the period was:

1	2
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As at 31 December 2019 Louise Edwards, Alan Connolly, and Steve Wakefield were Directors of Co-op Money NZ.

Co-op Insurance NZ*		
- various service charges paid	-	4
- commissions received	-	89
Co-op Money NZ		
- various service charges paid	3,344	1,214
The amount owing to Co-op Money NZ at the end of the period was:		
Payable for various service charges	547	257
The amount owing by Co-op Money NZ at the end of the period was:		
Co-op Money NZ Cash and Cash equivalents	13,952	1,796
Co-op Money NZ - Loan	4,508	-

In addition, the carrying value of equity investments in Co-op Money NZ are disclosed in detail in Note 10.

* Co-op Money NZ entered into an agreement to sell Co-op Insurance NZ on 18 December 2017 and the sale was fully effected on 1 September 2018.

Related party income and expenses are charged at commercial terms. However, service costs relating to Co-op Money NZ are charged at a discounted rate to reflect the Group's Investment in Co-op Money NZ Business Services Division.

Amounts payable and receivable relating to operating expenses and commissions are expected to be settled within one month of balance date and are unsecured and non interest bearing. There are no provisions for doubtful debts relating to related party receivables.

22 RELATED PARTY TRANSACTIONS (CONTINUED)

	Unaudited Dec 19 \$'000	Unaudited Dec 18 \$'000
Key management remuneration for the period:		
Short term employee benefits - Directors	222	123
Short term employee benefits - Executive	516	427
Post employment benefits - Executive	19	9
Total key management remuneration	<u>757</u>	<u>559</u>

23 SUBSEQUENT EVENTS

On 1 January 2020, Credit Union Baywide incorporated in accordance with the changes introduced to the Friendly Societies and Credit Unions Act by the Friendly Societies and Credit Unions (Regulatory Improvements) Amendment Act 2018.

On 25 March 2020 the New Zealand Government increased the COVID-19 Alert status to Level 4. This alert status requires a range of measures across New Zealand, including:

- People instructed to stay at home
- Educational facilities closed
- Businesses closed except for essential services (e.g. supermarkets, pharmacies, clinics) and lifeline utilities
- Rationing of supplies and requisitioning of facilities
- Travel severely limited
- Major reprioritisation of healthcare services

In response to the COVID-19 situation Credit Union Baywide has activated it's Pandemic Response Plan. The response includes a number of measures including:

- Ensuring the health and safety of our staff, members and communities;
- Ensuring the ability to continue to maintain essential services to members;
- Monitoring key financial and other indicators on a continuing basis;
- Providing information to members regarding COVID-19 generally and the financial assistance options available; and
- Providing appropriate and responsible financial assistance to members impacted by COVID-19.

The New Zealand Government has also announced a number of significant support packages for both businesses and individuals. These packages are targeted at supporting individuals, businesses and the economy throughout the COVID-19 response.

The financial impact of COVID-19 on Credit Union Baywide was an increase in the loan impairment provisioning assessment of \$783k up to 30 June 2020. The increase in provisioning relates to the increased credit risk associated with the negative impact on the economy.

On 8 June 2020 the COVID-19 Alert status was reduced to Level 1 for all of New Zealand. However, on 12 August 2020 the New Zealand Government increased the COVID-19 Alert status to Level 3 for Auckland and to Level 2 for the rest of the country. The Group did not experience any significant adverse impact from the second period of increased COVID-19 Alert levels. From 7 October 2020 the COVID-19 Alert status has been reduced to Level 1 for all of New Zealand.



Independent review report

To the members of Credit Union Baywide

Report on the condensed consolidated interim financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Credit Union Baywide (the Credit Union) on pages 2 to 22, which comprise the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of comprehensive revenue and expense, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period ended on that date, and the notes to the condensed consolidated interim financial statements.

Directors responsibility for the condensed consolidated interim financial statements

The Directors are responsible on behalf of the Credit Union for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Public Benefit Entity International Accounting Standard 34 Interim Financial reporting (PBE IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility.

Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements based on our review. We conducted our review in accordance with New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements taken as a whole, are not prepared in all material respects, in accordance with PBE IAS 34. As the auditors of the Credit Union, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

Our firm carries out other services for the Credit Union in the areas of members register reporting, supervisor reporting and treasury related analysis and commentary. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated interim financial statements of the Credit Union do not present fairly, in all material respects, the financial position of the Credit Union as at 31 December 2019, and its financial performance and cash flows for the period then ended, in accordance with PBE IAS 34.



Who we report to

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

For and on behalf of:

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over the printed name.

Chartered Accountants
7 October 2020

Christchurch