

# **CREDIT UNION BAYWIDE**

UNAUDITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
31 December 2020

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**Board of Directors**

Chair	Louise Edwards
Vice Chair	Alan Connolly
Directors	Alan Bartlett Christine (Chris) Lord Graham Clouston Graham Pryor Grant Travis Janice Fredric Te Taru White
Other details	Steve Wakefield (resigned 10 September 2020) Iain Taylor (term finished 28 October 2020)

**Auditors**

PricewaterhouseCoopers New Zealand

**Supervisor**

Trustees Executors Limited

**Affiliations**

New Zealand Association of Credit Unions (NZACU) - T/A Banzpay (formerly Co-Op Money)

**Bankers**

Westpac New Zealand Limited

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

For the period ended 31 December 2020

**Credit Union Baywide**

		Unaudited Six Months to <b>Dec 20</b> <b>\$'000</b>	Unaudited Six Months to <b>Dec 19</b> <b>\$'000</b>
<b>Operating revenue</b>			
Interest revenue	<b>4a</b>	19,349	22,006
Interest expenditure	<b>4b</b>	<u>3,778</u>	<u>6,012</u>
<b>Net interest revenue</b>		<b>15,571</b>	<b>15,994</b>
Transaction and fee revenue		3,291	3,671
Transaction and fee expenditure		<u>4,380</u>	<u>3,548</u>
<b>Net transaction and fee revenue</b>		<b>(1,089)</b>	<b>123</b>
Other income		<u>461</u>	<u>598</u>
Total operating revenue		<b>14,943</b>	<b>16,715</b>
<b>Other Expenses</b>			
Bad and impaired loans	<b>4c</b>	906	2,308
Employee expenditure		7,935	8,046
Other expenditure		<u>5,049</u>	<u>6,297</u>
Total operating expenditure		<u><b>13,890</b></u>	<u><b>16,651</b></u>
<b>Operating surplus / (deficit) for the period</b>		<u><b>1,053</b></u>	<u><b>64</b></u>
Share of surplus / (deficit) of investment in associate		(104)	(316)
<b>Surplus / (deficit) for the period attributable to members</b>		<u><b>949</b></u>	<u><b>(252)</b></u>
Other comprehensive revenue and expense		-	-
<b>Total comprehensive revenue and expense for the period attributable to members</b>		<u><u><b>949</b></u></u>	<u><u><b>(252)</b></u></u>

**CONDENSED CONSOLIDATED  
STATEMENT OF CHANGES IN EQUITY**  
For the period ended 31 December 2020

**Credit Union Baywide**

	<b>Note</b>	<b>Accumulated comprehensive revenue and expense \$'000</b>	<b>Total Equity \$'000</b>
Balance at 1 July 2020		57,513	57,513
Total comprehensive revenue and expense for the period attributable to members		949	949
Total net transactions		<u>949</u>	<u>949</u>
<b>Balance at 31 December 2020 (unaudited)</b>	<b>5</b>	<b><u>58,462</u></b>	<b><u>58,462</u></b>
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		<u>(252)</u>	<u>(252)</u>
<b>Balance at 31 December 2019 (unaudited)</b>	<b>5</b>	<b><u>57,657</u></b>	<b><u>57,657</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**      **Credit Union Baywide**  
As at 31 December 2020

	Note	Unaudited Dec 20 \$'000	Audited Jun 20 \$'000
<b>EQUITY</b>			
Accumulated comprehensive revenue and expense		58,462	57,513
<b>TOTAL EQUITY</b>	<b>5</b>	<b>58,462</b>	<b>57,513</b>
<b>ASSETS</b>			
Cash and cash equivalents	6	39,867	32,719
Term Investments	7	107,847	114,718
Members' loans	8	331,340	344,473
Other assets		13,978	14,004
Investment in Associate	10	7,781	7,886
Available for sale investments	10	-	-
<b>TOTAL ASSETS</b>		<b>500,813</b>	<b>513,801</b>
<b>LIABILITIES</b>			
Trade and other payables		9,297	10,282
Other liabilities		416	489
Members' deposits	11	432,638	445,517
<b>TOTAL LIABILITIES</b>		<b>442,351</b>	<b>456,288</b>
<b>NET ASSETS</b>		<b>58,462</b>	<b>57,513</b>

For and on behalf of the Board, who authorised the issue of these financial statements on 9 March 2021.

**L Edwards**  
**Chair**

**A Connolly**  
**Vice Chair**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****Credit Union Baywide**

For the period ended 31 December 2020

	Unaudited Six Months to <b>Dec 20</b> <b>\$'000</b>	Unaudited Six Months to <b>Dec 19</b> <b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash was provided from/(applied to):</b>		
Interest received	19,861	22,136
Transaction and other fees received	3,298	3,707
Commissions received	461	598
Bad loans recovered	362	313
Interest paid	(4,572)	(6,299)
Transaction and fee expenditure paid	(4,353)	(3,562)
Payments to suppliers & employees	(12,545)	(14,183)
	<u>2,512</u>	<u>2,710</u>
<b>Net changes in operating assets and liabilities</b>		
Net decrease/(increase) in short term investments	6,629	506
Net decrease/(increase) in members' loans	11,517	4,767
Net increase/(decrease) in members' deposits	(12,861)	507
	<u>5,285</u>	<u>5,780</u>
<b>Net operating cash flows</b>	<b>21</b> <u>7,797</u>	<u>8,490</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash was provided from/(applied to):</b>		
Loan to Banzpay NZ	-	(625)
Investment in Associate / Available for sale investments	-	(4,852)
Payments for other assets	(651)	(673)
	<u>(651)</u>	<u>(6,150)</u>
<b>Net investing cash flows</b>	<u>(651)</u>	<u>(6,150)</u>
Total net increase in cash and cash equivalents held	7,148	2,340
Cash and cash equivalents at the beginning of the period	32,719	27,568
<b>Cash and cash equivalents at the end of the period</b>	<b><u>39,867</u></b>	<b><u>29,908</u></b>
<b>Represented by:</b>		
<b>Cash and cash equivalents</b>	<b><u>39,867</u></b>	<b><u>29,908</u></b>

For the period ended 31 December 2020

## 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

The Credit Union and Trustees Executors Limited entered into a replacement Trust Deed (the Trust Deed) dated 18 December 2019 to meet the requirements of the Financial Markets Conduct Act 2013. 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 Financial 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 Members.

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 as at and for the year ended 30 June 2020. These condensed consolidated interim financial statements were authorised for issue by the Directors on 9 March 2021.

### 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 the condensed consolidated 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 annual financial statements as at and for the year ended 30 June 2020.

Judgement was used to assess the impact of the COVID-19 pandemic when determining provisioning. There is a risk that the economic impact may be different to the judgement applied.

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

## 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 annual financial statements as at and for the year ended 30 June 2020.



For the period ended 31 December 2020

4 REVENUE AND EXPENDITURE

		Unaudited Six Months to <b>Dec 20</b> <b>\$'000</b>	Unaudited Six Months to <b>Dec 19</b> <b>\$'000</b>
<b>a. Interest Revenue</b>			
Interest on unimpaired loans		18,066	19,916
Interest on impaired loans		318	399
Interest on investments		965	1,691
<b>Total interest revenue</b>		<u><u>19,349</u></u>	<u><u>22,006</u></u>
<b>b. Interest Expenditure</b>			
Interest on members' call deposits		390	817
Interest on members' Term Investments		3,388	5,195
<b>Total interest expenditure</b>		<u><u>3,778</u></u>	<u><u>6,012</u></u>
<b>c. Bad and Impaired Loans Expenditure</b>			
Bad loans written off		2,012	4,693
Bad debt recoveries		(362)	(303)
Movement in allowance for specific loan impairments	9a	(786)	(2,289)
Movement in allowance for collective loan impairments	9b	42	207
<b>Total bad and impaired loans expenditure</b>		<u><u>906</u></u>	<u><u>2,308</u></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.

On 18 May 2020 Fitch Ratings services affirmed the Credit Union's long-term issuer credit rating of 'BB', and revised the Outlook to Negative (from Stable) 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 2020 (30 June 2020: 10.39%).

6 CASH AND CASH EQUIVALENTS

	Unaudited <b>Dec 20</b> <b>\$'000</b>	Audited <b>Jun 20</b> <b>\$'000</b>
Cash and on call deposits	39,867	32,719
<b>Total cash and cash equivalents</b>	<u><u>39,867</u></u>	<u><u>32,719</u></u>

All cash and cash equivalents are current assets.

For the period ended 31 December 2020

7 Term Investments	Unaudited	Audited
	Dec 20	Jun 20
	\$'000	\$'000
Term deposits with registered Banks	107,847	114,718
<b>Total short term investments</b>	<b>107,847</b>	<b>114,718</b>

There is a restriction on withdrawing the deposits at Westpac New Zealand Limited 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 2020 the settlement bond was \$8,054k (30 June 2020 \$8,054k). All short term investments are current assets.

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

8 MEMBERS' LOANS

a. Members' Loans comprise:	Unaudited	Audited
	Dec 20	Jun 20
	\$'000	\$'000
Personal loans	165,914	154,234
Mortgages	169,656	195,213
Gross loans receivable	335,570	349,447
Provision for impairment (refer to note 9)	(4,230)	(4,974)
<b>Net loans receivable</b>	<b>331,340</b>	<b>344,473</b>

b. Loan maturity

Current portion of loans	84,346	66,885
Non current portion of loans	246,994	277,588
<b>Net loans receivable</b>	<b>331,340</b>	<b>344,473</b>

c. Credit quality - security dissection

Secured by first mortgages over real estate		
home loans insured by Housing New Zealand Corp	10,362	12,327
over 80% LVR*	57,316	65,754
under 80% LVR*	102,010	117,126
Secured by members' deposits	1,431	2,653
Secured by other assets **	86,564	98,024
Unsecured loans and overdrafts	77,887	53,563
<b>Gross loans receivable</b>	<b>335,570</b>	<b>349,447</b>

\* LVR is the loan value as a percentage of the property valuation in accordance with the Credit Union's valuation policy.

\*\*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 20	Jun 20
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 2020

9 IMPAIRMENT OF MEMBERS' LOANS

Provision for Impairment

a. Individual Impairment Allowance

	Gross Loans \$'000	Provision \$'000	Carrying Value \$'000
Opening balance 1 July 2020	8,132	(3,127)	5,005
Increase in allowance	4,621	(2,247)	2,374
Bad debts written off	(2,012)	2,012	-
Unused allowance reversed	(4,375)	1,021	(3,354)
<b>Closing balance at 31 December 2020 (unaudited)</b>	<b>6,366</b>	<b>(2,341)</b>	<b>4,025</b>

Opening balance 1 July 2019	9,140	(5,263)	3,877
Increase in allowance	10,981	(8,012)	2,968
Bad debts written off	(8,802)	8,802	-
Unused allowance reversed	(3,187)	1,346	(1,841)
<b>Closing balance 30 June 2020 (audited)</b>	<b>8,132</b>	<b>(3,127)</b>	<b>5,005</b>

	Unaudited Dec 20 \$'000	Audited Jun 20 \$'000
<b>b. Collective Impairment Allowance</b>		
Opening balance	(1,847)	(2,401)
Decrease/(Increase) in allowance	(42)	554
Closing balance	<b>(1,889)</b>	<b>(1,847)</b>
Total impairment allowance	<b>(4,230)</b>	<b>(4,974)</b>

c. Impairment Policy

The impairment policy adopted by the Credit Union for the interim financial reporting period ended 31 December 2020 is consistent with the policy applied for the annual financial reporting period ended 30 June 2020 (including the additional provisioning in relation to the additional economic risks that have come about due to the COVID-19 pandemic).

	Unaudited Dec 20 \$'000	Audited Jun 20 \$'000
<b>d. Loan status - Impaired and past due loans</b>		
Performing loans		
Neither past due nor individually impaired	312,801	322,327
Past due but not individually impaired		
1-10 days	3,595	3,518
11-20 days	5,084	4,790
21-30 days	2,660	2,215
Beyond 30 days	3,934	8,403
Total performing loans	<b>328,075</b>	<b>341,253</b>
Impaired Assets		
Restructured Loans	1,129	62
Individually impaired loans	6,366	8,132
Gross loans receivable	<b>335,570</b>	<b>349,447</b>

Individually Impaired Loans

Impaired loans		
Up to 90 days	4,214	4,256
Beyond 90 days	2,152	3,876
Total impaired loans	6,366	8,132
Provision for specific impairment	(2,341)	(3,127)
Individually impaired loans carrying value	<b>4,025</b>	<b>5,005</b>

The majority of loans categorised as 1-10 days in arrears at 31 December 2020 of \$3,595k (30 June 2020: \$3,518k) 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.

For the period ended 31 December 2020

9 IMPAIRMENT OF MEMBERS' LOANS (CONTINUED)

	Unaudited	Audited
	Dec 20	Jun 20
<b>Assets obtained by taking possession of collateral:</b>	<b>\$'000</b>	<b>\$'000</b>
Property	-	75
Motor Vehicles	-	8

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.

10 INVESTMENT IN ASSOCIATES

On 19th November 2019 the Group acquired the remaining Base capital notes (BCNs) of Banzpay (formerly Co-Op money). In this process the Group went from being a 53% owner of the equity interest in Banzpay 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 Banzpay and the investment would be measured using the equity method. At June 2019 the BCNs were accounted for as available for sale investments.

Banzpay is the industry association for credit unions and mutual building societies and exists to represent, promote and support its Member credit unions and building societies around the country, and to provide cost-effective business services. Banzpay is not a registered bank.

Banzpay's financial year end date is 30 June 2020. The investment represents a 100% stake in Banzpay'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 Banzpay. As at 31 December 2020 the outstanding balance was \$3,362k (June30: \$3,362k) and is recognised in Other assets in the condensed consolidated statement of financial position.

	Unaudited	Audited
	Dec 20	Jun 20
Proportion of ownership interest held by the Group in Banzpay	100%	100%
Proportion of voting rights held by the Group in Banzpay	33%	33%
<b>Summarised financial information of Banzpay</b>	<b>Dec 20</b>	<b>Jun 20</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	15,051	10,686
Investments	10,100	8,986
Intangible Assets	14,188	14,465
Other Assets	697	1,973
<b>TOTAL ASSETS</b>	<b>40,036</b>	<b>36,110</b>
<b>LIABILITIES</b>		
Deposits Received	22,188	18,350
Deferred Revenue	3,613	3,735
Borrowings	3,350	3,350
Other Liabilities	3,104	2,789
<b>TOTAL LIABILITIES</b>	<b>32,255</b>	<b>28,224</b>
<b>Equity attributable to owners of the Group</b>	<b>7,781</b>	<b>7,886</b>
<b>REVENUE</b>	<b>Dec 20</b>	<b>Dec 19</b>
Interest revenue	236	46
Interest expenditure	104	48
<b>Net interest revenue</b>	<b>132</b>	<b>(2)</b>
Banking services revenue	7,614	1,322
Other revenue	118	118
<b>Total Revenue</b>	<b>7,863</b>	<b>1,439</b>
Expenditure	7,967	1,755
<b>Net Surplus / (Deficit) From continuing operations</b>	<b>(104)</b>	<b>(316)</b>
Net Surplus / (deficit) from discontinued operations	-	-
<b>Total Comprehensive revenue of expense</b>	<b>(104)</b>	<b>(316)</b>

**10 INVESTMENT IN ASSOCIATES (continued)**

	Unaudited	Audited
	<b>Dec 20</b>	<b>Jun 20</b>
	\$'000	\$'000
Net assets of associate	7,781	7,886
Proportion of the Group's ownership interest in the associate	<b>100%</b>	<b>100%</b>
<b>Carrying amount of the Group's interest in the associate</b>	<u>7,781</u>	<u>7,886</u>
The Group's share of profit/(loss) from continuing operations	(104)	(97)
The Group's share of other comprehensive income	-	-
<b>The Group's share of total comprehensive income</b>	<u>(104)</u>	<u>(97)</u>

**Available for sale disclosure of BCN holdings by the Group**

	Unaudited	Audited
	<b>Dec 20</b>	<b>Jun 20</b>
	\$'000	\$'000
<b>Banzpay Base Capital Notes</b>		
Opening Balance	-	2,906
Additions	-	5,077
Impairment	-	-
Transfer to Investment in associates	-	(7,983)
Closing balance	<u>-</u>	<u>-</u>

**11 MEMBERS' DEPOSITS**

	Unaudited	Audited
	<b>Dec 20</b>	<b>Jun 20</b>
	\$'000	\$'000
Call accounts	123,677	118,541
Call accounts not bearing interest	51,204	46,769
Total call deposits (all current liabilities)	<u>174,881</u>	<u>165,310</u>
Term Investments - current	220,136	242,584
Term Investments - non current	37,621	37,623
Total Term Investments	<u>257,757</u>	<u>280,207</u>
Total Members' deposits	<u>432,638</u>	<u>445,517</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 18 December 2019.

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 18 December 2019.

**12 COMMITMENTS**

	Unaudited	Audited
	<b>Dec 20</b>	<b>Jun 20</b>
	\$'000	\$'000
<b>Outstanding Loan Commitments</b>		
Loans and credit facilities approved but not disbursed or drawn at the end of the financial period:		
Loans approved but not funded	2,004	3,281
Undrawn overdraft and line of credit	173	280
Total outstanding commitments	<u>2,177</u>	<u>3,561</u>

**13 STANDBY BORROWING FACILITIES**

	Unaudited	Audited
	<b>Dec 20</b>	<b>Jun 20</b>
	\$'000	\$'000
Uncommitted overdraft facility and unused facility	-	-

For the period ended 31 December 2020

**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 ended 31 December 2020 are consistent with those adopted for the annual financial reporting year ended 30 June 2020. 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 2020

**15 LIQUIDITY RISK - contractual maturity profile**
**As at 31 December 2020 (unaudited)**
**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
Cash and cash equivalents	39,867	-	-	-	-	-	-	-	39,867
Term Investments - Banks	-	21,116	40,237	38,701	-	-	-	8,055	108,109
Loan - Banzpay NZ	-	12	23	48	1,766	1,656	-	-	3,504
Members' loans	-	7,502	14,438	21,455	40,951	70,563	140,813	209,721	505,444
<b>Total financial assets</b>	<b>39,867</b>	<b>28,630</b>	<b>54,697</b>	<b>60,203</b>	<b>42,718</b>	<b>72,219</b>	<b>140,813</b>	<b>217,775</b>	<b>656,924</b>

**Financial Liabilities**

Trade payables	-	1,220	-	-	-	-	-	-	1,220
Overnight settlements	6,633	-	-	-	-	-	-	-	6,633
Members' deposits	158,509	29,886	48,330	75,693	73,889	35,821	14,548	1,399	438,074
<b>Total financial liabilities</b>	<b>165,141</b>	<b>31,106</b>	<b>48,330</b>	<b>75,693</b>	<b>73,889</b>	<b>35,821</b>	<b>14,548</b>	<b>1,399</b>	<b>445,928</b>

Commitments

2,177

Cumulative liquidity (shortfall)/surplus

(127,452)	(129,928)	(123,560)	(139,050)	(170,221)	(133,822)	(7,557)	208,819
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**As at 30 June 2020 (audited)**
**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
Cash and cash equivalents	32,719	-	-	-	-	-	-	-	32,719
Term Investments - Banks	-	25,339	37,373	41,414	3,075	64	193	8,376	115,834
Loan -Banzpay	-	12	24	36	1,267	2,203	-	-	3,540
Members' loans	-	8,342	15,198	22,721	40,942	70,808	130,279	241,535	529,826
<b>Total financial assets</b>	<b>32,719</b>	<b>33,693</b>	<b>52,594</b>	<b>64,169</b>	<b>45,285</b>	<b>73,075</b>	<b>130,473</b>	<b>249,911</b>	<b>681,919</b>

**Financial Liabilities**

Trade payables	-	1,248	-	-	-	-	-	-	1,248
Overnight settlements	7,001	-	-	-	-	-	-	-	7,001
Members' deposits	160,782	31,145	53,445	83,977	83,133	31,358	9,074	0	452,913
<b>Total financial liabilities</b>	<b>167,781</b>	<b>32,393</b>	<b>53,445</b>	<b>83,977</b>	<b>83,133</b>	<b>31,358</b>	<b>9,074</b>	<b>0</b>	<b>461,161</b>

Loan commitments

3,561

Cumulative liquidity (shortfall)/surplus

(138,623)	(137,323)	(138,174)	(157,982)	(195,830)	(154,112)	(32,714)	217,197
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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 2020

**16 LIQUIDITY RISK (CONTINUED) - expected maturity profile**

**As at 31 December 2020 (unaudited)**

**Financial Assets**

	<b>Within 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 6 Months</b>	<b>6 - 12 Months</b>	<b>1 to 2 Years</b>	<b>2 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Cash and cash equivalents	39,867	-	-	-	-	-	-	39,867
Term Investments - Banks	21,116	40,237	38,701	-	-	-	8,055	108,109
Loan - Banzpay	12	23	48	1,766	1,656	-	-	3,504
Members' loans	13,523	32,893	43,800	93,160	101,567	75,895	26,715	387,553
<b>Total financial assets</b>	<b>74,518</b>	<b>73,153</b>	<b>82,549</b>	<b>94,925</b>	<b>103,223</b>	<b>75,895</b>	<b>34,770</b>	<b>539,032</b>

**Financial Liabilities**

Trade payables	1,220	-	-	-	-	-	-	1,220
Overnight settlements	6,633	-	-	-	-	-	-	6,633
Members' deposits	13,573	24,246	40,934	101,668	99,688	60,374	104,151	444,634
<b>Total financial liabilities</b>	<b>21,426</b>	<b>24,246</b>	<b>40,934</b>	<b>101,668</b>	<b>99,688</b>	<b>60,374</b>	<b>104,151</b>	<b>452,487</b>

Commitments

2,177

Cumulative liquidity surplus

50,913    99,820    141,434    134,692    138,226    153,747    84,367

**As at 30 June 2020 (audited)**

**Financial Assets**

	<b>Within 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 6 Months</b>	<b>6 - 12 Months</b>	<b>1 to 2 Years</b>	<b>2 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Cash and cash equivalents	32,719	-	-	-	-	-	-	32,719
Term Investments - Banks	25,339	37,373	41,414	3,075	64	193	8,376	115,835
Loan - Banzpay	12	24	36	36	3,421	-	-	3,528
Members' loans	16,078	30,230	48,133	81,848	105,577	88,811	36,240	406,915
<b>Total financial assets</b>	<b>74,148</b>	<b>67,626</b>	<b>89,582</b>	<b>84,958</b>	<b>109,062</b>	<b>89,004</b>	<b>44,615</b>	<b>558,996</b>

**Financial Liabilities**

Trade payables	1,248	-	-	-	-	-	-	1,248
Overnight settlements	7,001	-	-	-	-	-	-	7,001
Members' deposits	10,209	19,024	38,272	91,367	116,438	71,580	115,551	462,440
<b>Total financial liabilities</b>	<b>18,457</b>	<b>19,024</b>	<b>38,272</b>	<b>91,367</b>	<b>116,438</b>	<b>71,580</b>	<b>115,551</b>	<b>470,689</b>

Loan commitments

3,561

Cumulative liquidity surplus

52,128    100,730    152,040    145,631    138,255    155,679    84,745

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



For the period ended 31 December 2020

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-20	Jun-20	Dec-20	Jun-20	Dec-20	Jun-20	Dec-20	Jun-20	Dec-20	Jun-20	Dec-20	Jun-20	Dec-20	Jun-20	Dec-20	Jun-20	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial Assets</b>																	
Cash & cash equivalents	39,867	32,719	-	-	-	-	-	-	-	-	-	-	-	-	-	39,867	32,719
Term Investments - Banks	-	-	107,847	111,715	-	3,002	-	-	-	-	-	-	-	-	-	107,847	114,718
Loan - Banzpay	3,362	3,362	-	-	-	-	-	-	-	-	-	-	-	-	-	3,362	3,362
Members' loans	68,131	78,452	91,756	93,219	86,830	85,821	71,994	73,262	12,629	13,720	-	-	-	-	331,339	344,474	
<b>Total financial assets</b>	<b>111,360</b>	<b>114,532</b>	<b>199,603</b>	<b>204,934</b>	<b>86,830</b>	<b>88,823</b>	<b>71,994</b>	<b>73,262</b>	<b>12,629</b>	<b>13,720</b>	-	-	-	-	<b>482,416</b>	<b>495,272</b>	
<b>Financial Liabilities</b>																	
Members' deposits - call	123,677	118,541	-	-	-	-	-	-	-	-	-	-	51,204	46,769	174,881	165,310	
Members' deposits - term	-	-	149,943	162,969	70,192	80,230	30,760	29,082	6,861	7,925	-	-	-	-	257,757	280,206	
Trade payables	-	-	-	-	-	-	-	-	-	-	-	-	1,220	3,282	1,220	3,282	
Overnight settlements	-	-	-	-	-	-	-	-	-	-	-	-	6,633	7,001	6,633	7,001	
<b>Total financial liabilities</b>	<b>123,677</b>	<b>118,541</b>	<b>149,943</b>	<b>162,969</b>	<b>70,192</b>	<b>80,230</b>	<b>30,760</b>	<b>29,082</b>	<b>6,861</b>	<b>7,925</b>	-	-	<b>59,057</b>	<b>57,052</b>	<b>440,491</b>	<b>455,799</b>	
<b>Total Mismatch</b>	<b>(12,317)</b>	<b>(4,009)</b>	<b>49,660</b>	<b>41,965</b>	<b>16,637</b>	<b>8,593</b>	<b>41,234</b>	<b>44,180</b>	<b>5,768</b>	<b>5,795</b>	-	-	<b>(59,057)</b>	<b>(57,052)</b>	<b>41,925</b>	<b>39,473</b>	

\*Figures as at 31 December 2020 are unaudited whereas figures at 30 June 2020 are audited.

For the period ended 31 December 2020

**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 financial assets as indicated in the condensed consolidated statement of financial position and any commitments not yet disbursed by the Credit Union.

	Unaudited <b>Dec-20</b> <b>\$'000</b>	Audited <b>Jun-20</b> <b>\$'000</b>
Cash and cash equivalents	39,867	32,719
Term Investments	107,847	114,718
Members' loans	331,340	344,473
Other assets	3,362	3,362
Total Credit Risk	<u>482,416</u>	<u>495,272</u>
Unrecognised loan commitments	2,177	3,561
Maximum credit risk	<u>484,593</u>	<u>498,833</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 Term 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 <b>Dec 20</b> <b>\$'000</b>	Unaudited <b>Dec 20</b> <b>%</b>	Audited <b>Jun 20</b> <b>\$'000</b>	Audited <b>Jun 20</b> <b>%</b>
Auckland City	34,658	10%	30,877	9%
Christchurch City	37,347	11%	39,587	11%
Hastings District	14,340	4%	14,815	4%
Lower Hutt City	12,225	4%	15,187	4%
Napier City	18,073	5%	20,765	6%
Taranua District	13,294	4%	13,518	4%
Whanganui District	17,698	5%	18,964	5%

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-20	Jun-20
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	-	2
Between 40% and 50% of equity	1	1
Between 30% and 40% of equity	3	2
Between 20% and 30% of equity	1	-
Between 10% and 20% of equity	-	2

The counterparties comprise registered banks and Banzpay.

**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 of Friendly Societies and Credit Unions, 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 20	Jun-20
The proportion of loans owed in aggregate by the members who owe the six largest amounts is:	1.06%	1.02%
	<b>\$'000</b>	<b>\$'000</b>
The Group offers a short term overdraft facility which members utilise from time to time. The amount overdrawn at period end was:	685	280

For the period ended 31 December 2020

**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 20 \$'000	Unaudited Dec 20 %	Audited Jun-20 \$'000	Audited Jun-20 %
Central Hawkes' Bay District	19,193	4%	18,058	4%
Dunedin City	22,284	5%	22,173	5%
Hastings District	63,657	15%	64,467	15%
Invercargill City	19,068	4%	19,339	4%
Lower Hutt City	17,301	4%	19,477	4%
Napier City	99,537	23%	97,477	22%

**20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

There has been no change in the fair value hierarchy classification from 30 June 2020.

**21 CASH FLOW STATEMENT RECONCILIATION**

	Unaudited Dec 20 \$'000	Unaudited Dec 19 \$'000
<b>Reconciliation of operating profit to operating cash flows</b>		
Operating surplus / (deficit) for the period	949	(252)
Non Cash Items		
Depreciation and Amortisation	786	871
(Gain)/loss on sale	(138)	(13)
Bad & impaired loan expense (excluding debt recoveries)	1,268	2,621
Share of (surplus) / deficit of the investment in associate	104	316
Changes in Assets and Liabilities		
decrease/(increase) in members' loans	11,517	4,767
decrease/(increase) in Term Investments	6,629	506
decrease/(increase) in accrued interest on loans and investments	591	173
decrease/(increase) in prepayments and accrued income	34	2
increase/(decrease) in members' deposits	(12,861)	507
increase/(decrease) in accrued interest on member's deposits	(794)	(288)
increase/(decrease) in trade and other payables	(288)	(721)
Net operating cash flows	<u>7,797</u>	<u>8,490</u>

For the period ended 31 December 2020

**22 RELATED PARTY TRANSACTIONS**

	Unaudited	Unaudited
	Dec 20	Dec 19
	\$'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	483	504
Loans owing from key management at balance date	15	6
Interest expense paid to key management during the period	6	6
Interest income received from key management during the period	1	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 who resigned from the Group on 28 October 2020 is also a partner of Gifford Devine. This firm provided legal services and the amount payable at 31 December 2019 and 31 October 2020 were:

	20	23
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At the end of the reporting period (31 December 2020), Gifford Devine are no longer considered a related party (As at 28 October 2020 \$5k)

	-	1
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As at 31 December 2020 Alan Connolly, Gavin Earle, and Grant Travis were Directors of Banzpay.

Banzpay		
- various service charges paid	4,561	3,344
The amount owing to Banzpay at the end of the period was:		
Payable for various service charges	654	547
The amount owing by Banzpay at the end of the period was:		
Banzpay Cash and Cash equivalents	18,599	13,952
Banzpay - Loan (part of other assets)	3,362	4,508

In addition, the carrying value of equity investments in Banzpay are disclosed in detail in Note 10.

Related party income and expenses are charged at commercial terms. However, service costs relating to Banzpay are charged at a discounted rate to reflect the Group's investment in Banzpay.

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.

For the period ended 31 December 2020

**22 RELATED PARTY TRANSACTIONS (CONTINUED)**

	Unaudited <b>Dec 20</b> <b>\$'000</b>	Unaudited <b>Dec 19</b> <b>\$'000</b>
Key management remuneration for the period:		
Short term employee benefits - Directors	172	222
Short term employee benefits - Executive	584	516
Post employment benefits - Executive	14	19
Total key management remuneration	<u>770</u>	<u>757</u>

**23 COVID-19 PANDEMIC**

Between 25 March 2020 and 27 April 2020 the New Zealand Government implemented COVID-19 Alert Level 4. This alert status required a range of measures across New Zealand including restrictions on individuals and businesses, and was followed by a gradual relaxing of restrictions.

The Group was an essential service and provided services to members remotely via the contact centre and digital channels. Branches provided limited face to face services during level 4 and 3 and supported remote channels when closed to the public. Alert levels were subsequently reduced, and the country was moved to COVID-19 Alert Level 1 on 8 June 2020.

The table below outlines the main impacts the COVID-19 has had on the Group:

Loan Repayment Relief	The Group supported members adversely impacted by COVID-19 by offering deferred payment arrangements within approved criteria. This support allowed members time to assess the impact of COVID-19 on their individual circumstances and adjust accordingly.
Impairment of Member Loans	The Group has maintained the provision for impairment of member loans to reflect the expected increase in credit losses related to COVID-19. The impact of COVID-19 on the economy, businesses, and consumers is uncertain and actual credit losses may differ to the impairment assessment.
Team members	The majority of team members worked remotely or supported the branch sites under reduced opening hours during the lock down period.
Investment in Associate	Banzpay was impacted by COVID-19 as a result of reduced card and ATM transactions occurring during lockdown.

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 increased COVID-19 Alert levels. From 7 October 2020 the COVID-19 Alert status was reduced to Level 1 for all of New Zealand and has remained so for the remainder of the reporting period.

**24 SUBSEQUENT EVENTS**

On 15 February 2021 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 COVID-19 Alert Level has since been adjusted multiple times and remains under review. The Group did not experience any significant adverse impact from the increased COVID-19 Alert levels subsequent to balance date.

On 1 March 2021 Fitch Ratings affirmed the Long-Term Issuer Default Rating at 'BB' and Short-Term Issuer Default Rating of the Credit Union at 'B' unchanged. At the same time Fitch Ratings revised the rating Outlook to Stable from Negative.



## Independent auditor's review report

To the members of Credit Union Baywide

### Report on the condensed consolidated interim financial statements

#### Our conclusion

We have reviewed the condensed consolidated interim financial statements of Credit Union Baywide (the Credit Union) and its controlled entities (the Group), which comprise the condensed consolidated statement of financial position as at 31 December 2020, 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 six months ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and cash flows for the six months then ended, in accordance with Public Benefit Entity International Accounting Standard 34 Interim Financial Reporting (PBE IAS 34).

#### Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410 (Revised)). Our responsibility is further described in the Auditor's responsibility for the review of the financial statements section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of members register reporting, supervisor reporting and treasury related analysis and commentary. The provision of these other services has not impaired our independence.

#### Directors responsibility for the financial statements

The Directors of the Credit Union are responsible on behalf of the Credit Union for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with 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.

#### Auditor's responsibility for the review of the financial statements

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) 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. A review of condensed consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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 and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

**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 Credit Union's members, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Robert Harris.

For and on behalf of:

A handwritten signature in blue ink, appearing to read 'Robert Harris', is written over a faint, light blue circular watermark.

Chartered Accountants  
9 March 2021

Christchurch