

**BNZ INTERNATIONAL FUNDING LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 September 2021**

## Income Statement

For the year ended 30 September 2021

Dollars in Thousands	Note	30/9/21	30/9/20
Interest income	2, 10	155,629	258,729
Interest expense	2	155,610	258,613
<b>Net interest income</b>		<b>19</b>	116
Other operating income	3, 10	7,438	10,914
<b>Total operating income</b>		<b>7,457</b>	11,030
Operating expenses	4	1,832	3,920
<b>Total operating profit before income tax expense</b>		<b>5,625</b>	7,110
Income tax expense on operating profit	5	1,575	1,991
<b>Net profit attributable to the shareholder of BNZ International Funding Limited</b>		<b>4,050</b>	5,119

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

## Statement of Comprehensive Income

For the year ended 30 September 2021

Dollars in Thousands	30/9/21	30/9/20
<b>Net profit attributable to the shareholder of BNZ International Funding Limited</b>	<b>4,050</b>	5,119
<b>Other comprehensive income, net of taxation</b>	-	-
<b>Total comprehensive income attributable to the shareholder of BNZ International Funding Limited</b>	<b>4,050</b>	5,119

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

# Statement of Changes in Equity

For the year ended 30 September 2021

Dollars in Thousands	30/9/21		Total Shareholder's Equity
	Ordinary Capital	Retained Profits	
Balance at beginning of year	100	17,949	18,049
<b>Comprehensive income</b>			
Net profit attributable to the shareholder of BNZ International Funding Limited	-	4,050	4,050
<b>Total comprehensive income</b>	-	4,050	4,050
Ordinary dividend	-	15,000	15,000
<b>Balance at end of year</b>	<b>100</b>	<b>6,999</b>	<b>7,099</b>
		30/9/20	
Balance at beginning of year	100	12,830	12,930
<b>Comprehensive income</b>			
Net profit attributable to the shareholder of BNZ International Funding Limited	-	5,119	5,119
<b>Total comprehensive income</b>	-	5,119	5,119
<b>Balance at end of year</b>	<b>100</b>	<b>17,949</b>	<b>18,049</b>

*The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.*

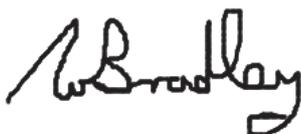
# Balance Sheet

As at 30 September 2021

Dollars in Thousands	Note	30/9/21	30/9/20
<b>Assets</b>			
Call balances due from other financial institutions		64	72
Call balances due from related entity	10	6,677	16,835
Other amounts due from related entity	10	14,065,846	17,868,359
Current tax assets		-	50
Other assets		145,146	-
<b>Total assets</b>		<b>14,217,733</b>	<b>17,885,316</b>
<b>Liabilities</b>			
Short term debt securities	6	4,429,314	3,336,679
Bonds and notes	7	9,635,351	14,530,178
Amounts due to related entities	10	145,611	298
Current tax liabilities		242	-
Other liabilities	8	116	112
<b>Total liabilities</b>		<b>14,210,634</b>	<b>17,867,267</b>
<b>Net assets</b>		<b>7,099</b>	<b>18,049</b>
<b>Shareholder's equity</b>			
Contributed equity - ordinary shares	11	100	100
Retained profits		6,999	17,949
<b>Total shareholder's equity</b>		<b>7,099</b>	<b>18,049</b>

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

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



Neil Bradley  
Nov 17, 2021 1:41 PM NZDT

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Director



Craig Brant  
Nov 17, 2021 5:26 PM NZDT

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Director

# Cash Flow Statement

For the year ended 30 September 2021

Dollars in Thousands	30/9/21	30/9/20
<b>Cash flows from operating activities</b>		
<b>Cash was provided from:</b>		
Interest income	166,820	275,949
Other operating income	7,752	10,747
<b>Cash was applied to:</b>		
Interest expense	(166,794)	(275,796)
Operating expenses	(1,832)	(3,921)
Income tax payments	(1,284)	(3,232)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>	<b>4,662</b>	<b>3,747</b>
<b>Changes in operating assets and liabilities arising from cash flow movements</b>		
Net movement in other liabilities*	4	22
<b>Net change in operating assets and liabilities</b>	<b>4</b>	<b>22</b>
<b>Net cash flows from operating activities</b>	<b>4,666</b>	<b>3,769</b>
<b>Cash flows from financing activities</b>		
Net movement in bonds and notes*	(3,944,159)	(2,270,540)
Net movement in short term debt securities*	1,033,988	(227,108)
Net movement in other related entity funding*	2,910,339	2,497,701
Ordinary dividend	11 (15,000)	-
<b>Net cash flows from financing activities</b>	<b>(14,832)</b>	<b>53</b>
<b>Net movement in cash and cash equivalents</b>	<b>(10,166)</b>	<b>3,822</b>
Cash and cash equivalents at beginning of year	16,907	13,085
<b>Cash and cash equivalents at end of year</b>	<b>6,741</b>	<b>16,907</b>
<b>Cash and cash equivalents at end of year comprised:</b>		
Call balances due from other financial institutions	64	72
Call balances due from related entity	6,677	16,835
<b>Total cash and cash equivalents</b>	<b>6,741</b>	<b>16,907</b>
<b>Reconciliation of net profit attributable to the shareholder of BNZ International Funding Limited to net cash flows from operating activities</b>		
Net profit attributable to the shareholder of BNZ International Funding Limited	4,050	5,119
<i>Add back non-cash items in net profit:</i>		
Decrease / (increase) in accrued interest receivable	11,191	17,221
Decrease / (increase) in other operating income receivable	314	(168)
Increase / (decrease) in provision for tax	291	(1,240)
Increase / (decrease) in accrued interest payable	(11,184)	(17,185)
<i>Deduct operating cash flows not included in net profit:</i>		
Net change in operating assets and liabilities	4	22
<b>Net cash flows from operating activities</b>	<b>4,666</b>	<b>3,769</b>

## Netting of cash flows

Certain cash flows (as indicated by \*) are shown net as these cash flows are either received and disbursed on behalf of customers and counterparties and therefore reflect the activities of these parties rather than those of the BNZ International Funding Limited; or are received and disbursed in transactions where the turnover is quick, the amounts large and the maturities short.

# Cash Flow Statement

For the year ended 30 September 2021

Dollars in Thousands	Bonds and Notes	Short Term Debt Securities	30/9/21		Total
			Amounts due to Related Entities	Amounts due from Related Entities	
<b>Reconciliation of net debt</b>					
<b>Balance at beginning of year</b>	14,530,178	3,336,679	298	(17,868,359)	(1,204)
Net cash flows	(3,944,159)	1,033,988	168	2,910,171	168
Non-cash changes					
Foreign exchange adjustments	(786,053)	(83,938)	-	-	(869,991)
Fair value adjustments	(164,615)	(2,560)	-	1,037,165	869,990
Other non-cash movements	-	145,145	145,145	(144,823)	145,467
<b>Balance at end of year</b>	<b>9,635,351</b>	<b>4,429,314</b>	<b>145,611</b>	<b>(14,065,846)</b>	<b>144,430</b>
			30/9/20		
Balance at beginning of year	16,823,750	3,554,051	241	(20,379,168)	(1,126)
Net cash flows	(2,270,540)	(227,108)	57	2,497,644	53
Non-cash changes					
Foreign exchange adjustments	(101,070)	21,744	-	-	(79,326)
Fair value adjustments	78,038	(12,008)	-	13,300	79,330
Other non-cash movements	-	-	-	(135)	(135)
Balance at end of year	14,530,178	3,336,679	298	(17,868,359)	(1,204)

The accounting policies and other notes form part of, and should be read in conjunction with, these financial statements.

# Notes to and Forming Part of the Financial Statements

For the year ended 30 September 2021

## Note 1 Principal Accounting Policies

### Reporting entity

BNZ International Funding Limited (the "Company") is a company with limited liability incorporated in New Zealand and is a wholly owned controlled entity of Bank of New Zealand. The Company has established a London branch, registered in England & Wales under branch number BR008377 and company number FC026206. The Company's Registered Office is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

The Company is incorporated for the specific purpose of, through its London branch, raising offshore funding and undertaking other related activities for Bank of New Zealand's financial reporting group ("Bank of New Zealand Group").

### Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the application of fair value measurements required or allowed by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated, through these financial statements.

### Assumptions and estimates

The preparation of the financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities.

Assumptions made as at each reporting date (e.g., the calculation of fair value adjustments) are based on best estimates at that date. Although the Company has internal control systems in place to ensure reliable estimates, actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimates are revised and in any future periods affected.

The Company has considered the impact of COVID-19 and related market volatility in preparing these financial statements. The methodologies and assumptions applied in the measurement of various items within the financial statements remain unchanged from those applied in the prior period financial statements.

Further information on specific judgements and assumptions made and estimates applied is contained within the notes to the financial statements

### Statement of compliance

These financial statements are general purpose financial reports prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 2013.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

### Changes in accounting policies and disclosures

All mandatory standards, amendments and interpretations have been adopted in the current financial year. None had a material impact on these financial statements.

New and amendments to existing standards that are not yet effective are not expected to result in a material impact on the Company's reported results or financial position.

### Currency of presentation

Unless stated otherwise, all amounts are expressed in New Zealand dollars which is the Company's functional and presentational currency.

### Rounding of amounts

All amounts have been rounded to the nearest thousand dollars except where indicated.

### Foreign currency translation

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### Fair value measurement

Fair value is defined as 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 best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

Where a financial asset or liability is subsequently measured at fair value, the best evidence is independently quoted market prices in an active market. Where such prices are unavailable, then depending on the circumstances, alternative evidence may be used, including the price of recent transactions, prices for similar instruments or prices obtained utilising component parts (which when aggregated form the price of the whole instrument).

Where no active market exists for a particular asset or liability, the Company uses standard market valuation techniques to arrive at the estimated fair value, utilising observable market sourced inputs wherever possible. Depending on the circumstances, the same alternative evidence (as described above) may be used in the valuation techniques. The valuation techniques address factors such as interest rates, liquidity and credit risk.

Fair value asset or liability prices defined above generally represent the present value of all future cash flows including those relating to interest, dividends or other cash flows as appropriate.

# Notes to and Forming Part of the Financial Statements

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## **Note 1 Principal Accounting Policies** *continued*

### **Financial assets**

Financial assets comprise items such as Call balances due from other financial institutions, Call balances due from related entity, Other amounts due from related entity and certain Other assets.

Financial assets are classified as measured at fair value through profit or loss, or at amortised cost. The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows. Refer to note 9 for further information.

#### **i) Financial assets measured at fair value through profit or loss**

Upon initial recognition, financial assets may be designated as measured at fair value through profit or loss if such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring items on a different basis.

Financial assets measured at fair value through profit or loss are initially recognised at fair value, with transaction costs being recognised in the income statement as incurred. Subsequently, they are measured at fair value with gains and losses recognised in the income statement as they arise.

#### **ii) Financial assets measured at amortised cost**

A financial asset is measured at amortised cost only if:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to contractual cash flows that are solely payments of principal and interest.

Financial assets measured at amortised cost are initially recognised at fair value plus direct attributable transaction costs and subsequently measured at amortised cost using the effective interest method less allowance for expected credit loss.

Call balances due from other financial institutions and Call balances due from related entity consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments. Other assets include securities sold – not yet settled. All other financial assets are measured at amortised cost.

### **Financial liabilities**

Financial liabilities comprise items such as Short term debt securities, Bonds and notes and Amounts due to related entities.

Financial liabilities may be held at fair value through profit or loss or at amortised cost. Refer to note 9 for further information.

#### **i) Financial liabilities held at fair value through profit or loss**

Upon initial recognition, liabilities may be designated as measured at fair value through profit or loss if:

- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring items on a different basis; or
- a group of financial liabilities or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis in accordance with the documented risk management or investment strategy; or
- they contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.

Financial liabilities held at fair value through profit or loss are initially recognised at fair value with transaction costs recognised immediately in the income statement. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Own credit risk provisions require an entity to present in other comprehensive income the fair value gains and losses attributable to changes in the entity's own credit risk for financial liabilities designated as measured at fair value through profit or loss unless this treatment would create or enlarge an accounting mismatch in the income statement. For the Company, this treatment would create an accounting mismatch, therefore all gains or losses on these financial liabilities (including the effects of changes in own credit risk) are presented in the profit and loss together with all gains and losses on financial assets designated at fair value through profit or loss.

#### **ii) Financial liabilities held at amortised cost**

All other financial liabilities and Amounts due to related entities (including securities purchased – not yet settled) are measured at amortised cost.

Financial liabilities held at amortised cost are initially recognised at fair value minus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

### **Net Interest income**

Net Interest income reflected in the income statement is calculated by reference to the contractual terms of the instrument and represents the interest received or receivable less interest paid or payable on amounts outstanding during the reporting period.

Net interest income on financial instruments measured at amortised cost is calculated using the effective interest method.

### **Fees and commissions**

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to the effective interest rate are recognised on completion of the underlying transaction.

### **Gains and losses on financial instruments**

Gains and losses on financial instruments recognised in the income statement (within Other operating income) comprises fair value gains and losses from financial instruments designated at fair value through profit or loss. These are the fair value movements excluding interest, which is reported within net interest income.

### **Income Tax**

Income tax expense is the income tax charge or benefit incurred on the current reporting period's profit or loss and is the aggregate of the movements in deferred tax taken through the income statement and the amount of income taxes payable or recoverable in respect of taxable profit or loss for the period at the applicable tax rate.

## Notes to and Forming Part of the Financial Statements

### Note 2 Interest

Dollars in Thousands	30/9/21	30/9/20
<b>Interest income</b>		
Related entities	155,629	258,729
Total interest income	155,629	258,729
<b>Interest expense</b>		
Short term debt securities	9,556	56,857
Bonds and notes	146,054	201,756
Total interest expense	155,610	258,613

### Note 3 Other Operating Income

Dollars in Thousands	30/9/21	30/9/20
Treasury services and funding fees	7,438	10,914
Gain/(loss) in the fair value of financial assets designated at fair value through profit or loss	(165,554)	40,193
Credit risk adjustments on financial assets designated at fair value through profit or loss	14,956	36,752
Gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss	165,554	(40,193)
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	(14,956)	(36,752)
Total other operating income	7,438	10,914

### Note 4 Operating Expenses

Dollars in Thousands	30/9/21	30/9/20
<b>Fees paid to auditors</b>		
Audit and review of financial statements	77	77
Other assurance and risk related services <sup>1</sup>	42	106
<b>Other</b>		
Legal expenses	319	498
Other professional and funding fees	84	1,676
Personnel expenses	264	398
Rating agency fees	426	357
Other	620	808
Total operating expenses	1,832	3,920

<sup>1</sup>Fees paid to auditors were for other assurance services provided in relation to funding activities.

## Notes to and Forming Part of the Financial Statements

### Note 5 Income Tax

Dollars in Thousands	30/9/21	30/9/20
<b>Income tax charged to income statement</b>		
Current tax	1,575	1,991
Total income tax charged to income statement	1,575	1,991
<b>Reconciliation of income tax expense shown in the income statement with prima facie tax payable on the pre-tax accounting profit</b>		
Total operating profit before income tax expense	5,625	7,110
Prima facie income tax at 28%	1,575	1,991
Total tax expense on operating profit	1,575	1,991
Effective tax rate	28%	28%

### Note 6 Short Term Debt Securities

Dollars in Thousands	30/9/21	30/9/20
Commercial paper	4,429,314	3,336,679
Total short term debt securities	4,429,314	3,336,679

All commercial paper has been raised through the Company's London branch, in the financial, investment and insurance industry sectors. Short term debt securities rank equally with the Company's unsecured liabilities. In the unlikely event that the Company was put into liquidation or ceased to trade, the claims of secured creditors and those creditors set out in Schedule 7 of the Companies Act of 1993 would rank ahead of the claims of unsecured creditors.

### Note 7 Bonds and Notes

Dollars in Thousands	30/9/21	30/9/20
Offshore Covered Bonds	2,603,050	4,119,055
Offshore medium term notes	7,032,301	10,411,123
Total bonds and notes	9,635,351	14,530,178

As at 30 September 2021, the contractual amount to be paid at maturity of the Bonds and notes is \$9,403,703 (30 September 2020: \$14,133,915).

Dollars in Thousands	30/9/21	30/9/20
<b>Bonds and notes by currency type</b>		
US Dollar	2,518,020	4,868,375
Australian Dollar	152,554	165,138
Hong Kong Dollar	169,411	353,608
Euro	5,852,823	7,557,285
Japanese Yen	-	244,546
Swiss Franc	942,543	1,341,226
Total bonds and notes by currency type	9,635,351	14,530,178

## Notes to and Forming Part of the Financial Statements

### Note 8 Other Liabilities

Dollars in Thousands	30/9/21	30/9/20
GST receivable	(22)	(18)
Accrued expenses	138	130
Total other liabilities	116	112

### Note 9 Categories of Financial Assets and Financial Liabilities

Dollars in Thousands	Fair Value Through Profit or Loss	30/9/21 At Amortised Cost	Total Carrying Amount
<b>Financial assets</b>			
Call balances due from other financial institutions	-	64	64
Call balances due from related entity	-	6,677	6,677
Other amounts due from related entity	14,064,665	1,181	14,065,846
Other assets	-	145,146	145,146
Total financial assets	14,064,665	153,068	14,217,733
<b>Financial liabilities</b>			
Short term debt securities	4,429,314	-	4,429,314
Bonds and notes	9,635,351	-	9,635,351
Amounts due to related entities	-	145,611	145,611
Total financial liabilities	14,064,665	145,611	14,210,276
30/9/2020			
<b>Financial assets</b>			
Call balances due from other financial institutions	-	72	72
Call balances due from related entity	-	16,835	16,835
Other amounts due from related entity	17,866,857	1,502	17,868,359
Total financial assets	17,866,857	18,409	17,885,266
<b>Financial liabilities</b>			
Short term debt securities	3,336,679	-	3,336,679
Bonds and notes	14,530,178	-	14,530,178
Amounts due to related entities	-	298	298
Total financial liabilities	17,866,857	298	17,867,155

The carrying amount disclosed is considered to approximate the contractual amount due on maturity on the financial liabilities designated at fair value through profit or loss on initial recognition with the exception of Bonds and notes.

### Movement in fair value of financial liabilities designated at fair value through profit or loss on initial recognition attributable to change in credit risk

Dollars in Thousands	30/9/21	30/9/20
<b>Bonds and notes</b>		
Balance at beginning of year	52,939	16,187
Movement during the year	14,956	36,752
Balance at end of year	67,895	52,939

The movement in fair value attributable to changes in the credit risk of financial liabilities designated at fair value through profit or loss is determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. The movement in fair value of these liabilities has resulted in an equal and opposite movement in the Amount due from related entities, which has an offsetting effect to the Company as a result of the on-lending agreement with Bank of New Zealand.

## Notes to and Forming Part of the Financial Statements

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### **Note 9 Categories of Financial Assets and Financial Liabilities** *continued*

#### **Hierarchy for fair value measurements**

The following paragraphs present a three level fair value hierarchy of the Company's financial assets and financial liabilities which are measured at fair value.

The three levels in the hierarchy are based on the valuation methods and assumptions used in determining the fair values of financial assets and financial liabilities.

The levels are as follows:

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company did not have any financial assets or financial liabilities measured at fair value that met the criteria of Level 1 classification.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). As at 30 September 2021, all fair value assets and liabilities have been assessed as Level 2 using observable market data as inputs which are generally modified in some way such as averaging at source (e.g. multi-contributor page) or a valuation technique (e.g. interpolation or discounting) (30 September 2020: all).

Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company did not have any financial assets or financial liabilities measured at fair value that met the criteria of Level 3 classification.

Management uses its judgment in selecting an appropriate valuation technique for financial instruments which are not quoted in an active market.

#### **Bonds and notes**

Bonds and notes are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used. The fair value includes a calculation of the Company's own credit risk based on observable market data.

#### **Other amounts due from related entity**

Other amounts due from related entity are recorded at fair value based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. This is based on observable market prices as at the reporting date where available, otherwise alternative observable market source data is used.

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## Notes to and Forming Part of the Financial Statements

### Note 10 Related Entity Transactions

The Company is a wholly owned controlled entity of Bank of New Zealand whose ultimate parent company is National Australia Bank Limited. Bank of New Zealand has guaranteed all debt securities issued by the Company, acting through its London branch, for the amount and term of such securities. If the Company, acting through its London branch, issues any debt securities that are guaranteed by Bank of New Zealand, then the proceeds of that debt issue must be on-lent to Bank of New Zealand on terms and conditions that match the terms and conditions of the debt issue. Financial liabilities represented by Bonds and notes, Short term debt securities and accrued interest payable are guaranteed by Bank of New Zealand.

The Covered Bond Trust holds Bank of New Zealand housing loans and guarantees the payment of interest and principle of certain debt securities issued by the Company or Bank of New Zealand, the Company's parent company. Guarantees provided in relation to the covered bonds issued have a prior claim over the assets of the Covered Bond Trust. The underlying collateral for the guarantees provided by the Covered Bond Trust comprised housing loans, collections receivable and cash to the value of \$5,274 million as at 30 September 2021 (30 September 2020: \$4,734 million). From 25 May 2021, the Company ceased to be an Issuer of Covered Bonds.

Other principal intragroup transactions comprise: (1) the provision of treasury and funding services to Bank of New Zealand, which earn treasury service and funding fee income, (2) the supply, as required, of settlement, accounting, tax, regulatory compliance and legal services and seconded staff from Bank of New Zealand and/or National Australia Bank Limited, (3) a licence of London branch premises from National Australia Bank Limited, and (4) payment to Bank of New Zealand for the reimbursement of provisional tax paid on the Company's behalf. These transactions with Bank of New Zealand and National Australia Bank Group have been entered into at arm's length on normal commercial terms and conditions.

Key management personnel are defined as being Directors of the Company. During the year ended 30 September 2021, there were no loans made to or deposits received from key management personnel, their close family members, or their controlled entities (30 September 2020: nil). Key management personnel did not receive any compensation for their services to the Company during the year ended 30 September 2021 (30 September 2020: nil).

The following table provides the total amount of balances and transactions with related entities for the relevant financial year.

Dollars in Thousands	30/9/21	30/9/20
<b>Balances with related entities</b>		
<b>Amount due from related entity</b>		
Bank of New Zealand	14,072,523	17,885,194
<b>Amount due to related entities</b>		
Bank of New Zealand	145,304	160
National Australia Bank Limited	307	138
<b>Transactions with related entities</b>		
<b>Revenues from related entity</b>		
Bank of New Zealand	163,067	269,643
<b>Expenses to related entities</b>		
Bank of New Zealand	364	319
National Australia Bank Limited	595	860

Dividends paid to the shareholders are disclosed in note 11.

During the year ended 30 September 2021, the Company made a payment of \$480,697 to Bank of New Zealand for the reimbursement of provisional tax paid on the Company's behalf (30 September 2020: \$543,609).

Number of shares in Thousands	30/9/21	30/9/20
<b>Note 11 Contributed Equity</b>		
Ordinary shares, fully paid	100	100
Total contributed equity	100	100

Each of the 100,000 (30 September 2020: 100,000) ordinary shares entitles the shareholder to one vote at any meeting of shareholders and shares equally in dividends and surpluses on winding up. Shares do not have a par value.

When managing capital, which includes contributed equity and retained profits, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to the shareholders.

\$15,000,000 dividends were paid on ordinary shares during the year ended 30 September 2021 (year ended 30 September 2020: nil).

## Notes to and Forming Part of the Financial Statements

### Note 12 Interest Rate Repricing Schedule

The following tables represent a breakdown, by repricing dates or contractual maturity, whichever is the earlier, of the balance sheet.

Dollars in Thousands	30/9/21					
	Total	Up to 3 Months	Over 3 Months and up to 1 year	Over 1 Year and up to 2 Years	Over 2 Years	Non- Interest Bearing
<b>Assets</b>						
Call balances due from financial institutions	64	64	-	-	-	-
Call balances due from related entity	6,677	6,677	-	-	-	-
Other amounts due from related entity	14,065,846	2,440,280	3,973,771	2,680,339	4,970,275	1,181
All other assets	145,146	-	-	-	-	145,146
<b>Total assets</b>	<b>14,217,733</b>	<b>2,447,021</b>	<b>3,973,771</b>	<b>2,680,339</b>	<b>4,970,275</b>	<b>146,327</b>
<b>Liabilities</b>						
Short term debt securities	4,429,314	2,396,755	2,032,559	-	-	-
Bonds and notes	9,635,351	43,525	1,941,212	2,680,339	4,970,275	-
Amounts due to related entities	145,611	-	-	-	-	145,611
All other liabilities	358	-	-	-	-	358
<b>Total liabilities</b>	<b>14,210,634</b>	<b>2,440,280</b>	<b>3,973,771</b>	<b>2,680,339</b>	<b>4,970,275</b>	<b>145,969</b>
30/9/20						
<b>Assets</b>						
Call balances due from financial institutions	72	72	-	-	-	-
Call balances due from related entity	16,835	16,835	-	-	-	-
Other amounts due from related entity	17,868,359	2,659,172	5,000,811	2,065,918	8,140,956	1,502
All other assets	50	-	-	-	-	50
<b>Total assets</b>	<b>17,885,316</b>	<b>2,676,079</b>	<b>5,000,811</b>	<b>2,065,918</b>	<b>8,140,956</b>	<b>1,552</b>
<b>Liabilities</b>						
Short term debt securities	3,336,679	2,124,259	1,212,420	-	-	-
Bonds and notes	14,530,178	534,913	3,788,391	2,065,918	8,140,956	-
Amounts due to related entities	298	-	-	-	-	298
All other liabilities	112	-	-	-	-	112
<b>Total liabilities</b>	<b>17,867,267</b>	<b>2,659,172</b>	<b>5,000,811</b>	<b>2,065,918</b>	<b>8,140,956</b>	<b>410</b>



# Notes to and Forming Part of the Financial Statements

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## Note 17 Risk Management

The Board of Directors of the Company is committed to the management of risk and has identified the following risks:

### Credit risk

Credit risk is the risk of financial loss resulting from the failure of a counterparty to settle its financial and contractual obligations to the Company as they fall due.

The maximum exposure to credit risk arising from Call balances due from other financial institutions, Call balances due from related entity, Other amounts due from related entity and Other assets is equal to the carrying amount of each class of receivable. The credit quality of these financial assets is deemed as excellent based on the counterparties' current credit rating. As at 30 September 2021, these balances represent 100% of the Company's credit exposures (30 September 2020: 100%). The Company was exposed to one individual counterparty (not being a member of a group of closely related counterparties) to which the Company has a credit exposure which exceeds 10% of equity, with an exposure of 2,045% of equity as at 30 September 2021 (30 September 2020: nil). Subsequent to 30 September 2021, the transaction was settled. Bank of New Zealand represents a group of closely related counterparties to which the Company has a credit exposure which exceeds 10% of equity, with an exposure of 198,232% of equity as at 30 September 2021 (30 September 2020: 99,092%). Bank of New Zealand guarantees the obligations of the Company, acting through its London branch, in respect of all securities issued by the Company's London branch to investors.

As at 30 September 2021, there are no collateral held as security or other credit enhancements obtained in respect of amounts that represent the maximum exposure to credit risk.

### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Exposure to interest rate risk arises in respect of funding through issuing commercial paper and medium term notes.

No sensitivity analysis has been performed as the interest rate risk has been mitigated by the on-lending agreement with Bank of New Zealand.

### Foreign exchange risk

Foreign exchange risk results from exposures to changes in foreign exchange rates. Currency risk arises from foreign currency balances and the trading of any foreign currency denominated product, such as foreign currency bonds and notes.

No sensitivity analysis has been performed as the currency risk has been mitigated by the on-lending agreement with Bank of New Zealand.

### Liquidity risk

Liquidity risk arises from the mismatch in the maturity of financial assets and liabilities, plus their settlement characteristics. Maintaining adequate liquidity to meet the current and future payment obligations at a reasonable cost is a core objective of the Company.

All proceeds from commercial paper and medium term notes issued by the Company are on-lent to Bank of New Zealand, the Company's parent company, on terms and conditions which match the terms and conditions of the debt issue, and all relevant risks, including interest rate, currency and liquidity risks, thereby mitigating these risks. Refer to note 10 for more information.

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## Independent auditor's report to the Shareholder of BNZ International Funding Limited

### Opinion

We have audited the financial statements of BNZ International Funding Limited ("the Company"), which comprise the balance sheet of the Company as at 30 September 2021, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2021 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholder. Our audit has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's 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 Company and the Company's shareholder, for our audit work, for this report, or for the opinions we have formed.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides other assurance related services to the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. We have no other relationship with, or interest in, the Company.

### Directors' responsibilities for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Directors are responsible for assessing on behalf of the entity the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.

*Ernst + Young*

Chartered Accountants  
Auckland  
17 November 2021