CITIBANK, N.A.

NEW ZEALAND BRANCH

AND ASSOCIATED BANKING GROUP

DISCLOSURE STATEMENT

31st DECEMBER, 2021

<u>Registered office</u>

Citigroup Centre
23 Customs Street East
Auckland 1010

CITIBANK, N.A. NEW ZEALAND BRANCH AND ASSOCIATED BANKING GROUP

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GENERAL DISCLOSURES

The financial statements are the aggregated financial statements for the "Banking Group" which consists of Citibank, N.A. New Zealand Branch (CBNA New Zealand Branch) and the Associated Banking Group (Citibank Nominees (New Zealand) Limited).

Name and address for service of the Banking Group

Citibank, N.A.
Citigroup Centre
23 Customs Street East
Auckland 1010

Name and address for service of the Overseas Bank (Citibank, N.A.) outside New Zealand

Citibank, N.A. (CBNA)
5800 South Corporate Place
Sioux Falls
South Dakota 57108
United States of America

Citibank, N.A. was originally organized on 16th June, 1812, and formed a national banking association organized on 17th July, 1865 under The National Bank Act of 1864 (United States of America).

Name and address for service of the Ultimate Holding Company (Citigroup Inc.) of the Overseas Bank (Citibank, N.A.)

Citigroup Inc.
388 Greenwich Street
New York, NY 10013
United States of America

Registered bank: Directorate and auditors

Responsible person of Citibank, N.A. in New Zealand

Address for service

Citibank, N.A.
Citigroup Centre
23 Customs Street East
Auckland 1010

Name	Country of Residence	Technical or Professional Qualifications
Derek Syme Citi Country Officer Citibank, N.A. New Zealand Branch External Directorships: None	New Zealand	Lincoln University, B.Com. in Finance and Economics, 1987 University of Otago, Post Graduate Diploma in Finance, 1989

Responsible person of Citibank, N.A. signing as agent for all Citibank, N.A. Directors

Timothy Sedgwick Chief Financial Officer Citi Australia / New Zealand External Directorships: None	Australia	Bachelor of Commerce majoring in Accounting, University of New South Wales, 1990 Membership of the Institute of Chartered Accountants in Australia, 1994 Fellowship of Chartered Accountants Australia and New Zealand, 2009

Directors of Citibank, N.A.

Address for Service of the Directors

Citibank, N.A.
388 Greenwich Street
New York, NY 10013
United States of America

Name	Country of Residence	Technical or Professional Qualifications
Grace E. Dailey Former Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner. Office of the Comptroller of the Currency (OCC) External Directorships: None Type of Director: Independent Director	USA	University of Wisconsin - Eau Claire, 1982
Barbara J. Desoer Former Chief Executive Officer Citibank, N.A. External Directorships: Davita Healthcare Partners Inc.; UCLA Anderson School of Management Board of Visitors; Haas School of Business Advisory Board Type of Director: Independent Director	USA	Mount Holyoke College, B.A., 1974 University of California, Berkeley - Haas School of Business, M.B.A., 1977
Jane N. Fraser Chief Executive Officer, Citi External Directorships: None Type of Director: Executive Director	USA	Cambridge University M.A., 1988 Harvard Business School, M.B.A ., 1994
Sunil Garg Chief Executive Officer, Citibank, N.A. External Directorships: None Type of Director: Executive Director	USA	St Stephen's College, India Indian Institute of Management, Ahmedabad
Duncan P. Hennes Co-Founder/Partner, Atrevida Partners, LLC External Directorships: RenaissanceRe Holdings, Ltd. Type of Director: Independent Director	USA	University of Pennsylvania, B.S., 1978 Wharton School, M.B.A., 1979
Peter B. Henry Former Dean New York University Stern School of Business External Directorships: Nike, Inc.; General Electric Company, Kraft Foods Inc. and Kraft Foods Group, Inc. Type of Director: Independent Director	USA	UNC - Chapel Hill, B.A., 1991 University of Oxford, B.A., 1993 Massachusetts Institute of Technology, Ph.D., 1997
Susan Leslie Ireland President, Leslie Ireland Associates, LLC External Directorships: None Type of Director: Independent Director	USA	Franklin and Marshall College, B.A., 1981 Georgetown University, M.A., 1983
Diana L. Taylor Former Superintendent of Banks, State of New York External Directorships: Brookfield Asset Management Type of Director: Independent Director	USA	Dartmouth College Columbia University, M.B.A
James S. Turley Former Chairman and CEO of Ernst & Young. External Directorships: Emerson Electric Co; Intrexon Corporation; Kohler Company (privately held); Northrop Grumman Corporation, Sita Capital (Investors Advisory Board). Precigen, Inc Type of Director: Independent Director	USA	Rice University, B.A., 1977 Masters in Accounting, 1978

There have been no changes to the composition of Citibank, N.A.'s Board of Directors since the last disclosure statement dated 30th June, 2021.

The Citibank, N.A. Board has established an Audit Committee for Citibank, N.A. comprising of three independent Directors.

GENERAL DISCLOSURES

Auditors of Citigroup Inc. and Citibank, N.A. New Zealand Branch and Associated Banking Group

Name and address for Service of any auditor whose report is referred to in the Disclosure Statement

Citigroup Inc.	KPMG LLP Independent Registered Public Accountant Firm 345 Park Avenue New York, New York 10154
Citibank, N.A. New Zealand Branch and Associated Banking Group	KPMG Level 38, Tower Three International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000 Australia

Transactions between Directors, New Zealand Chief Executive Officer and affiliates
Certain transactions involving loans, deposits and sales of commercial paper, certificates of deposit and other money market instruments and certain other banking transactions occur between Citigroup Inc. and CBNA on the one hand and certain directors or executive officers of Citigroup Inc., CBNA and CBNA New Zealand Branch, members of their immediate families or associates of the directors, the executive officers or their family members on the other. All such transactions were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, that prevailed at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavourable features.

Director policy on conflict of interest
Directors must avoid circumstances in which their personal, professional or business interests conflict, or appear to conflict, with the interests of CBNA or its customers.

Guarantee arrangements
CBNA New Zealand Branch does not have any guarantees over any material obligations as at 28th March, 2022.

Conditions of registration
Conditions of registration for Citibank, N.A. in New Zealand

These conditions of registration apply on and after 1 October 2021.

The registration of Citibank, N.A. (“the registered bank”) in New Zealand is subject to the following conditions:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of “material” is based on generally accepted accounting practice.

2. That the banking group’s insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group’s insurance business is the sum of the following amounts for entities in the banking group:

(a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

(b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity’s insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group’s insurance business -

(a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

(b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,-

“insurance business” means the undertaking or assumption of liability as an insurer under a contract of insurance:

“insurer” and “contract of insurance” have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.

4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
(b) the Reserve Bank has advised that it has no objection to that appointment.

5. That Citibank, N.A. complies with the requirements imposed on it by the Office of the Comptroller of the Currency.

6. That, with reference to the following table, each capital adequacy ratio of Citibank, N.A. must be equal to or greater than the applicable minimum requirement.

Capital Adequacy Ratio	Minimum Requirement On and after 1st January, 2015
Common Equity Tier 1 Capital	4.5 percent
Tier 1 Capital	6 percent
Total Capital	8 percent

For the purposes of this condition of registration, the capital adequacy ratios-
(a) must be calculated as a percentage of the registered bank's risk weighted assets; and
(b) are otherwise as administered by the Office of the Comptroller of the Currency.

7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ$15 billion.

8. That retail deposits of the registered bank in New Zealand do not exceed NZ$200 million. For the purposes of this condition of registration retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds NZ$250,000.

9. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

10. That, for a loan-to-valuation measurement period ending on or before 31 March 2022, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

11. That, for a loan-to-valuation measurement period ending on or after 30 April 2022, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

12. That the business of the registered bank in New Zealand must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration -
"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013.

"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

"liabilities of the registered bank in New Zealand" means the liabilities that the registered bank would be required to report in financial statements for its New Zealand business if section 461B(1) of the Financial Markets Conduct Act 2013 applied.

In conditions of registration 9 to 12, -
"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021, and where the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents referred to in BS19 for the purpose of defining these terms are -

BPR document	**Version date**
BPR131: Standardised credit risk RWAs	1 October 2021
BPR001: Glossary	1 July 2021

"loan-to-valuation measurement period" means -
(a) the six calendar month period ending on the last day of March 2022; and
(b) thereafter a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of April 2022.

Historical summary of Financial Statements

CITIBANK, N.A. NEW ZEALAND BRANCH AND ASSOCIATED BANKING GROUP
The following historical summary data for CBNA New Zealand Branch and Associated Banking Group has been derived from audited financial statements prepared on the basis of accounting principles generally accepted in New Zealand.

(Thousands of NZ Dollars)	Year ended December 31				
	2021	2020	2019	2018	2017
Interest Income	11,880	15,266	34,704	49,305	53,807
Interest Expense	2,171	3,218	21,360	30,043	25,548
Net Interest income	9,709	12,048	13,344	19,262	28,259
Net trading income	6,139	6,629	8,460	6,237	2,119
Net fees income	25,053	18,748	20,980	16,343	14,747
Other operating income	65	46	1	1,327	665
Operating Expenses	18,483	18,712	18,934	20,301	20,664
Loan impairment expense	(74)	(53)	126	192	-
Net Profit or (Loss) before taxation	22,557	18,812	23,725	22,676	25,126
Taxation	6,507	5,224	6,733	6,363	7,139
Net Profit after taxation	16,050	13,588	16,992	16,313	17,987
Dividend/Remittance to Head Office	50,000	16,400	16,000	17,700	19,400
Net Profit or (Loss) Retained	(33,950)	(2,812)	992	(1,387)	(1,413)
Assets	2,474,202	2,208,403	1,719,057	2,151,239	2,044,918
Total Individually Impaired Assets	-	-	-	-	-
Liabilities	2,324,277	2,024,398	1,532,542	1,965,083	1,851,645
Equity/Head Office Account	149,925	184,005	186,515	186,156	193,273

Claims of unsecured creditors of the Registered Bank on the assets of the Overseas Bank
Under the law of the United States of America, a bank which is a member of the Federal Reserve System, including CBNA, is not required to repay a deposit at a branch outside the United States if the branch cannot repay the deposit due to an act of war, civil strife, or action taken by the government in the host country, unless the bank has expressly agreed to do so in writing.

The laws of the United States of America require that in the liquidation or other resolution of a failed U.S. insured depository institution, deposits in U.S. offices and certain claims for administrative expenses and employee compensation are afforded a priority over other general unsecured claims, including deposits in offices outside the U.S., non-deposit claims in all offices, and claims of a parent. Such priority creditors would include the Federal Deposit Insurance Corporation (FDIC), which succeeds to the position of insured depositors. Subject to the application of New Zealand law, the local regulator may seize assets of the New Zealand branch of CBNA and that action could impede the ability of the receiver to satisfy the preference to pay U.S. deposits.

The above legislation may affect all New Zealand liabilities.

Credit ratings
CBNA has the following long-term debt ratings which are applicable to the New Zealand Branch's long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars.

		(if changed in the previous two years)	
Rating Agency	**Current Rating**	**Approval Date**	**Previous Rating**
Moody's	Aa3 (stable)	Thursday, 21 February 2019	Not change
Standard & Poor's	A+ (stable)	Friday, 16 December 2016	Not change
Fitch	A+ (stable)	Tuesday, 19 May 2015	Not change

GENERAL DISCLOSURES

Citibank, N.A. New Zealand Branch
Standard & Poor's, Moody's and Fitch have an implied rating equal to CBNA as CBNA New Zealand Branch is part of the same legal entity.

Rating scales are:

AAA/Aaa	Superior. Extremely strong capacity to pay interest and repay principal in a timely manner.
AA/Aa	Excellent. Very strong capacity to pay interest and repay principal in a timely manner.
A	Good. Strong capacity to pay interest and repay principal in a timely manner.
BBB/Baa	Adequate capacity to pay interest and repay principal in a timely manner.
BB/Ba	May be adequate but judged to have speculative elements.
B	Vulnerable. Assurance of interest and principal payments over any long period of time may be small.
CCC/Caa	Extremely vulnerable. Speculative to a high degree.

Note: Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through B. 1 indicates that the obligation ranks in the higher end of its generic rating category; 2 indicates a mid-range ranking; and 3 indicates a ranking in the lower end of that generic rating category.

Standard & Poor's and Fitch may modify their ratings by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

No material qualifications attach to the obligations and the ratings have not been withdrawn.

Insurance business and non-financial activities

CBNA New Zealand Branch and the Banking Group does not conduct any insurance business in New Zealand.
CBNA does not conduct any insurance business or non-financial activities in New Zealand that are outside its Banking Group.

Financial statements
Any person, upon request and without charge, may obtain a copy of CBNA New Zealand Branch and the Banking Group's most recent Disclosure Statement, which contains a copy of the most recent publicly available consolidated financial statements of CBNA (Citibank Call Report for the fiscal year ended 31st December, 2021 ("Citibank Call Report") and the CBNA audited financial statements for the fiscal year ended 31st December, 2021 ("Citibank 2021 Financials")), and the Citigroup Inc. Annual Report on Form 10-K for the fiscal year ended 31st December, 2021 ("Citigroup Form 10-K"), immediately by requesting a copy from CBNA's New Zealand office in Auckland. The Citibank Call Report and the Citigroup Form 10-K are also available on the Bank's website 'www.citi.co.nz'.

CBNA is an indirect wholly owned subsidiary of Citigroup Inc. The information relating to CBNA contained in the Bank's General Disclosure Statement is derived from, and is qualified in its entirety by reference to, the detailed information and consolidated financial statements included in the Citibank Call Report and the Citibank 2021 Financials.

The Citibank Call Report is prepared in accordance with the regulatory instructions issued by the Federal Financial Institutions Examination Council ("FFIEC"), as compared to the Citibank 2021 Financials and Citigroup Form 10-K which are prepared in accordance with U.S. GAAP and, with respect to the Citigroup Form 10-K and Quarterly Reports on Form 10-Q, the requirements of the U.S. Securities and Exchange Commission. In 1997, the FFIEC adopted U.S. GAAP as the reporting basis for the consolidated balance sheet, income statement and related schedules included in the Call Report. Despite the adoption of U.S. GAAP as the reporting basis for the Citibank Call Report, the presentation of financial statements in the Citibank Call Report differs significantly from the presentation of financial statements included in the Citibank 2021 Financials and Citigroup's Form 10-K and Quarterly Reports on Form 10-Q filed with the U.S. Securities and Exchange Commission, including without limitation the Citibank Call Report generally contains less disclosure than audited financial statements prepared in accordance with U.S. GAAP.

Information about Citibank and Citigroup is available on the web at www.citigroup.com. Additional information about Citibank and Citigroup, including a discussion of what management currently believes could be Citibank's and Citigroup's most significant risks and uncertainties, is included in Citigroup's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission on February 25, 2022.

CITIBANK, N.A. NEW ZEALAND BRANCH AND ASSOCIATED BANKING GROUP

GENERAL DISCLOSURES

Profitability and size of Citibank, N.A.	**(Thousands of US Dollars)**	
	2021	**2020**
Profitability		
Net profit/(loss) after tax for the year ended	18,362,000	8,828,000
Net profit/(loss) after tax over the previous twelve months as a percentage of average total assets	0.27%	0.14%
Size (refer note 1)		
Total assets	1,669,227,000	1,646,864,000
Percentage Change in total assets over the previous twelve months	1.36%	13.26%
Asset quality (refer note 1 and 2)		
Total impaired assets	5,712,000	7,925,000
Total impaired assets as a percentage of total assets	0.34%	0.48%
Total individual credit impaired allowance	969,000	1,785,000
Total collective credit impairment allowance	13,929,000	20,336,000

Impaired assets for CBNA consist of non-accrual loans, restructured loans, other non-accrual assets and other real estate owned. CBNA maintains an allowance that is available to absorb all probable credit losses inherent in its portfolio. The allowance for loan and lease losses at 31st December, 2021 is US$14,898 million (31st December, 2020 is US$22,123 million).

CITIBANK, N.A. NEW ZEALAND BRANCH AND ASSOCIATED BANKING GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
Interest income	3	11,880	15,266
Interest expense	3	2,171	3,218
Net interest income		9,709	12,048
Net trading income	4	6,139	6,629
Net fees income	4	25,053	18,748
Other operating income	4	65	46
Total revenue		40,966	37,471
Operating expenses	5	18,483	18,712
Loan impairment expense		(74)	(53)
Profit before income tax		22,557	18,812
Income tax expense	6 (a)	6,507	5,224
Profit for the year		16,050	13,588
Other comprehensive income			
Fair value through other comprehensive income reserve			
Fair value (loss) / gain taken directly to equity		(247)	840
Tax on movements and transfers		69	(235)
Other comprehensive income for the year, net of tax, that may be reclassified subsequently to profit		(178)	605
Total comprehensive income for the year		15,872	14,193

The Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements on the accompanying pages.

CITIBANK, N.A. NEW ZEALAND BRANCH AND ASSOCIATED BANKING GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
Assets			
Cash and cash equivalents	17 (a)	1,517,327	1,259,300
Due from related parties	18 (c)	232,357	7,290
Derivative financial assets	7	3,083	-
Financial assets at fair value through other comprehensive income	8	486,551	542,473
Loans and advances	12	230,637	393,589
Other assets	9	1,947	3,342
Deferred tax assets	6 (d)	1,099	1,026
Property, plant and equipment		100	19
Right-of-use assets	11	1,101	1,364
Total assets		2,474,202	2,208,403
Liabilities			
Deposits from other banks	15	7,909	2,972
Due to related parties	18 (c)	1,018,123	707,013
Other deposits	15	1,288,099	1,306,134
Lease liabilities	16	1,154	1,389
Current tax liabilities	15	954	6
Provisions	13	200	197
Other liabilities	14	7,838	6,687
Total liabilities		2,324,277	2,024,398
Equity			
Issued and paid-up capital	22	-	-
Head office account	22	33,618	33,576
Fair value through other comprehensive income reserve	22	(22)	156
Retained earnings	22	116,329	150,273
Total equity		149,925	184,005
Total liabilities and equity		2,474,202	2,208,403
Total interest earning and discount bearing assets		2,466,872	2,202,652
Total interest and discount bearing liabilities		2,314,131	2,016,119

The Statement of Financial Position should be read in conjunction with the notes to the financial statements on the accompanying pages.

CITIBANK, N.A. NEW ZEALAND BRANCH AND ASSOCIATED BANKING GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
Capital			
Head office account			
CBNA New Zealand Branch			
At the beginning of the year		33,576	33,665
Movement in share based payment reserve		42	(89)
At the end of the year	22	33,618	33,576
Fair value through other comprehensive income reserve			
At the beginning of the year		156	(449)
Other comprehensive income		(178)	605
At the end of the year	22	(22)	156
Retained earnings			
At the beginning of the year		150,273	153,299
Profit after tax		16,050	13,588
Other movement		6	(214)
Profit remittance to head office		(50,000)	(16,400)
At the end of the year	22	116,329	150,273
Equity at the end of the year	22	149,925	184,005
Represented by:			
Equity at the beginning of the year		184,005	186,515
Transactions with owners, recorded directly in equity			
Shareholder Distribution		-	-
Profit remittance to head office		(50,000)	(16,400)
Movement in share based payment reserve		42	(89)
Other movement		6	(214)
Total transactions with owners		(49,952)	(16,703)
Total comprehensive income for the year			
Profit for the year		16,050	13,588
Other comprehensive income			
Net change in fair value through other comprehensive income to profit or loss on disposal		(247)	840
Income tax on other comprehensive income		69	(235)
Total other comprehensive income		(178)	605
Total comprehensive income for the year		15,872	14,193
Equity at the end of the year		149,925	184,005

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements on the accompanying pages.

CITIBANK, N.A. NEW ZEALAND BRANCH AND ASSOCIATED BANKING GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	BANKING GROUP	
		2021 $(000's)	2020 $(000's)
Cash flows from operating activities			
Interest received		13,273	15,902
Interest paid		(1,666)	(3,753)
Net trading income		3,056	6,629
Other income		25,471	20,449
Net (increase) / decrease in placements due from related companies		(225,067)	4,029
Net decrease / (increase) in financial assets at fair value through other comprehensive income		55,674	(114,646)
Net decrease in loans and advances		163,026	68,357
Net increase in due to related parties		311,109	257,153
Net (decrease) / increase in customer deposits		(13,098)	235,265
Income tax paid		(5,601)	(4,754)
Other operating expenses paid		(17,781)	(17,519)
Net cash from operating activities	17	308,396	467,112
Cash flows used in investing activities			
Payments to acquire property, plant and equipment		(92)	(2)
Net cash used in investing activities		(92)	(2)
Cash flows used in financing activities			
Payment of dividends		(50,000)	(16,536)
Payment of lease liabilities		(277)	(289)
Net cash used in financing activities		(50,277)	(16,825)
Net increase in cash and cash equivalents		258,027	450,285
Cash and cash equivalents at the beginning of the financial year		1,259,300	809,015
Cash and cash equivalents at the end of the financial year	17	1,517,327	1,259,300

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements on the accompanying pages.

The financial statements are those of Citibank NA New Zealand Branch (the "Branch"), and those of the aggregated financial statements for the New Zealand Branch and the Associated Banking Group (the "Banking Group").

The ultimate holding company of the Banking Group is Citigroup Inc. ("Citigroup"), which is a global diversified financial services holding company whose businesses provide a broad range of financial services to consumer and corporate customers.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Banking Group's financial statements have been prepared in accordance with the requirements of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended), the Financial Markets Conduct Act 2013 ("FMCA 2013"), the Companies Act 1993, the Financial Reporting Act 2013, and with New Zealand Generally Accepted Accounting Practice ("NZGAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

These financial statements were authorised for issue by CBNA under power of attorney and by the Board of Directors of Citibank Nominees (New Zealand) Limited on this 28th day of March, 2022.

b) Basis of preparation

The financial statements are presented in New Zealand dollars, which is the functional currency of the Banking Group.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial assets at fair value through other comprehensive income.

The amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

The preparation of financial statements in conformity with New Zealand Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Management believes that the critical accounting policies where management judgement is necessarily applied are those in relation to a) loans and receivables (refer to the discussion on credit risk in note 2), b) impairment of financial assets (refer to note 1 (r) and note 10), c) provisions and contingencies (refer to note 13 and note 21), d) measurement of share based payments (refer to note 1 (f) and note 19) and e) fair value of financial instruments (refer to note 27).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. The accounting policies have been applied consistently by each entity in the Banking Group.

The global COVID-19 pandemic which developed and spread during 2020 is not considered to have altered the accounting policies, nor impacted the application of judgment applied in any significant areas of estimation uncertainty.

c) Principles of aggregation and consolidation

The aggregated financial statements of the Banking Group include the financial statements of the Branch and Associated Banking Group which have been accounted for using the aggregation of interest method as the Branch does not own the Associated Banking Group and therefore is not a legal group. All significant transactions between the Branch and Associated Banking Group have been eliminated. Within the Banking Group, consolidation has been done using the purchase method of consolidation. Control exists when the primary entity within the Banking Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Banking Group's financial statements. Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

d) Revenue recognition

i) Interest income and expense

Interest income and expense are recognised in the Consolidated Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Banking Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition (continued)

ii) Fee and commission income

Fees and commissions primarily includes credit and bank card income and deposit-related fees. Credit and bank card income is primarily comprised of interchange fees, which are earned based on purchase sales, and other card fees, including annual fees. Interchange fees are recognised as earned when Citi's performance obligations are satisfied. Annual credit card fees, net of origination costs, are deferred and amortised on a straight line basis over a 12 month period.

Deposit-related fees consist of service charges on deposit accounts and fees earned from asset management, portfolio and other management advisory and service fees, which are recognised based on the applicable service contracts, usually on a time-apportionment basis. The same principle is applied for wealth management, financial planning and custody services that are provided over an extended period.

Transactional service fees primarily consist of fees charged for processing services such as cash management, global payments, clearing, international funds transfer and other trade services. Such fees are recognised as/when the associated service is provided by Citi.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan.

iii) Net trading income

Net trading income comprises unrealised and realised gains and losses relating to derivative financial instruments.

iv) Other income

Income recognition policies for financial assets at fair value through profit and loss, fair value through other comprehensive income and derivative financial instruments are described in notes 1(k), 1(m), and 1(s) respectively.

e) Leases

At inception of a lease contract, the Banking Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and the Banking Group obtains substantially all the economic benefits of the use of the asset.

Right-of-use-Assets

As a lessee, the Banking Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of a lease liability adjusted for any lease payments made before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, remove, or restore the underlying asset or the site on which it is located, less any lease incentives received. Short-term leases of 12 months or less, and assets less than $25,000 in value are expensed directly to profit or loss.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis the underlying assets, which are generally property and equipment.

The lease term represents the non-cancellable period of the lease and includes periods covered by options to extend if the Banking Group is reasonably certain to exercise the options. Lease terms are only revised if there is a change in the non-cancellable period or there is a reassessment upon a significant event or change in circumstances that is both within the control of the Banking Group and affects whether the Banking Group is reasonably certain to exercise an option that changes the lease term. Lease terms range from 1 to 10 years. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined the Banking Group's estimated incremental borrowing rate. Generally the Banking Group uses its incremental borrowing rate of 1.9% as the discount rate.

Lease payments comprise fixed lease payments less incentives receivable, variable lease payments, residual value guarantees payable, exercise price options where exercise is reasonably certain, and any anticipated termination penalties made over the expected term of the lease, which includes optional periods where option exercise is considered reasonably certain. Variable lease payments include those dependent upon an index, interest rate or market rate, but are included only using the index or rate existing at commencement date.

The lease liability is remeasured when there is a change in future lease payments from a change in an index or rate, if there is a change in the Banking Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Banking Group changes its assessment of whether it will exercise a purchase extension or termination option.

When the lease liability is re measured in this way, the corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Banking Group presents right of use assets in property, plant and equipment, and presents lease liabilities in loans and borrowings, in the Statement of Financial Position.

Where the Banking Group subleases leased premises to other parties, the total receipts under these sublease agreements (net of any lease incentives) are recognised in the Statements of Comprehensive Income on a straight-line basis over the period of the lease.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Citigroup equity-based compensation

Certain employees of the Banking Group participate in equity-based compensation plans of Citigroup, the ultimate parent entity of the Banking Group. Under these plans, Citigroup shares or the cash equivalent of shares are issued to employees as remuneration for past services and to retain employees.

g) Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Consolidated Statement of Comprehensive Income in the financial year in which the exchange rates change.

h) Taxation

Income tax expense for the year consists of current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to changes in FVOCI and cash flow hedges taken to other comprehensive income is also recognised in other comprehensive income.

i) Due from other financial institutions

Amounts due from other financial institutions are stated at the gross value of the outstanding balance. They are measured at amortised cost less impairment losses.

j) Financial instruments

The Banking Group classifies financial assets in the following categories:
- Financial assets at fair value through profit or loss (FVTPL);
- Loans and receivables (amortised cost); and
- Financial assets at fair value through other comprehensive income (FVOCI)

The Banking Group classifies financial liabilities in the following categories:
- Financial liabilities at fair value through profit or loss (FVTPL); and
- Financial liabilities at amortised cost

Financial assets and liabilities measured at amortised cost include:
- Deposits and amounts due to other financial institutions (note 1 (u)); and
- Payables (note 1 (y)).

Management determines the classification of financial assets and financial liabilities at initial recognition.

Financial assets are derecognised when the contractual rights of the Banking Group to the cash flows from the asset expire, or if the Banking Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

The Banking Group enters into transactions whereby it transfers assets recognised on its Consolidated Statement of Financial Position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Consolidated Statement of Financial Position.

k) Financial instruments at fair value through profit or loss

A financial instrument that does not fall into either of the below two categories shall be classified and measured at fair value through profit and loss. Assets within a business model whose objective is to both collect the cash flows and to sell the assets, will be classified as FVTPL. Any instrument for which the contractual cash flow characteristics do not comprise solely payments of principal and interest (that is, they fail the SPPI test) is classified in the FVTPL category. These financial instruments are acquired principally for the purpose of trading, managing risk, or selling in the short term. Assets held in this category represent bank securities, promissory notes and treasury notes purchased for sale in the day-to-day trading operations of the banking business. Derivatives are also included in this category unless they are designated as hedges. They are carried at fair value based on quoted bid prices or broker/dealer quotations and are recorded as at the trade-date. All changes in fair value are recognised within the Consolidated Statement of Comprehensive Income. Interest received from trading securities is included within interest income in the Consolidated Statement of Comprehensive Income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments at fair value through profit or loss (continued)

The Banking Group designates financial liabilities at fair value through profit or loss if one of the following exist:

- The liability is managed and performance evaluated on a fair value basis;
- Electing fair value will eliminate or reduce an accounting mismatch; or
- The contract contains one or more embedded derivatives.

For financial liabilities designated at fair value through profit or loss, fair value changes are presented as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability must be recorded in OCI, and
- The remaining amount of the change in the fair value of the liability is recorded in the Statement of Comprehensive Income.

Upon early extinguishment (e.g., liability is repurchased before maturity), changes in own credit previously recorded in OCI is not recycled to P&L. The OCI balance is reclassified directly to retained earnings.

l) Financial assets at amortised cost

Loans, advances and other receivables
Loans and receivables include loans and advances originated by the Banking Group, held in a business which has a business model whose objective is to hold assets (not intended to be sold in the short term) in order to collect contractual cash flows, and cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI). Loans and receivables are recognised when cash is advanced to borrowers. They are measured at amortised cost using the effective interest method, less impairment losses.

m) Financial assets at fair value through other comprehensive income

Financial assets are classified at fair value through other comprehensive income when the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). They may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of financial assets at fair value through other comprehensive income are recognised as at the trade-date – the date on which the Banking Group commits to purchase or sell the asset. These financial assets are carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through other comprehensive income are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Consolidated Statement of Comprehensive Income. Dividends and interest on financial assets at fair value through other comprehensive income equity instruments are recognised in the Consolidated Statement of Comprehensive Income when the right to receive payment is declared.

n) Business Model Assessment

The business model assessment for the purpose of categorising financial instruments is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Banking Group's business model does not depend on management's intentions for an individual instrument (i.e., it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business. The Banking Group has more than one business model for managing its financial instruments.

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative factors and qualitative factors. All relevant evidence that is available at the date of the assessment is considered, including, but not limited to:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

o) Assessment of whether the contractual cash flows re solely payments of principal and interest

If an instrument is held in either a hold to collect, or a hold to collect and sell, business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal outstanding (SPPI) is required to determine the classification. For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration of other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flow test is performed at initial recognition of a financial asset and, if applicable, upon any subsequent changes to the contractual provisions of the instrument.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Reclassifications

Financial asset classification is determined at initial recognition, and reclassifications are expected to be rare. A financial asset is only reclassified if the business model for managing the financial asset changes.

Financial liabilities, and financial instruments designated as FVTPL or FVOCl, are also not reclassified.

q) Modifications

Financial assets
If the terms of a financial asset are modified, the Banking Group evaluates whether the cash flows of the modified asset are substantially different, and if so, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated, and a modification gain or loss is recognised in profit or loss.

As financial assets are classified at initial recognition on the basis of the contractual terms over the life of the instrument, reclassification on the basis of a financial asset's contractual cash flows is not permitted, unless the asset has been sufficiently modified that it is derecognised.

Financial liabilities
Financial liabilities are derecognised when their terms are modified, and the cash flows are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished, and the new financial liability with modified terms, is recognised in profit or loss.

r) Impairment of financial assets

All debt instruments measured at amortised cost, or at fair value through other comprehensive income, and all off balance sheet loan commitments and financial guarantees, are subject to impairment considerations.

Expected credit loss impairment model
Credit loss allowances are measured at reporting date according to a three-stage expected credit loss impairment model, under which each financial asset is classified in one of the stages below:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognised equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.

When determining whether there has been a significant increase since initial recognition, the Banking Group considers quantitative and qualitative information, based on historical experience and credit assessment, including forward-looking information. As a backstop, the Banking Group considers that a significant increase in credit risk has occurred once an asset is more than 30 days past due.

Credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Banking Group expects to receive).

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses is recognised. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Credit losses for financial assets in Stage 3 are assessed at the individual loan level.

Evidence that a financial asset is impaired includes observable data that comes to management's attention, such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

Loans are written off when there is no realistic probability of recovery.

Expected credit loss (ECL) is an unbiased and probability weighted estimate, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

Measurement of ECL is primarily determined by assessment of a financial asset's probability of default (PD) using the risk ratings detailed in note 23 loss given default (LGD) and exposure at default (EAD,) with estimated cash shortfalls discounted to reporting date. For a financial asset in Stage 1, a 12-month PD is used, whereas financial assets within Stage 2 and Stage 3 utilise a lifetime PD to estimate an impairment allowance.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Impairment of financial assets (continued)

Other Financial Assets Simplified Approaches
For other financial assets, being short term and simple in nature, a simplified measurement approach is applied that may differ from what is described above, leveraging existing models currently used for stress-testing, or other regulatory capital reporting purposes, that are developed into loss estimates.

Presentation of the allowance of ECL in the Consolidated Statement of Financial Position
Loss allowances for ECL are presented in the Consolidated Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset
- Loan commitments and financial guarantee contracts: as a provision
- Debt instruments measured at Fair value through other comprehensive income reserve ("FVOCI"): as the carrying amount of these financial assets is at fair value, no separate loss allowance is recognised in the Statements of Financial Position. The cumulative net change in the fair value, including any losses, of debt instruments at FVOCI is disclosed as fair value reserve in note 22.

s) Derivative financial instruments

The Banking Group is exposed to changes in interest rates and foreign exchange rates from its activities. The Banking Group may trade these products on its own account or enter into derivative and foreign exchange contracts, among other instruments, as an end-user in connection with its own risk management activities of certain assets and liabilities such as loans, deposits and investment securities. As permitted by IFRS 9, the Banking Group has elected to continue to apply the hedge accounting requirements of NZ IAS 39 *Financial Instruments* . All derivatives that do not meet the hedging criteria under NZ IAS 39 *Financial Instruments* are disclosed as derivatives held for trading or risk management respectively. Derivative financial instruments used for trading purposes are carried at fair value using bid/offer rates, broker/dealer quotations, discounted cash flows or estimated fair values generated by option pricing models. Revaluation gains and losses on derivative and foreign exchange contracts are reported gross as due to or due from financial institutions, except when qualifying netting agreements are in place with the counterparties.

Interest rate swaps, cross currency swaps and forward rate agreements
Interest payments and receipts under interest rate and cross currency swap contracts and realised gains and losses on forward rate agreements are recognised on an effective yield basis in the Consolidated Statement of Comprehensive Income.

Commitments to extend credit, letters of credit and guarantees
These financial instruments attract credit risk, generate fees and generally do not involve cash payments other than in the event of default. They are recorded as commitments at their face value. Fee income relating to commitments is deferred and subsequently amortised over the expected life of the facility as part of the effective interest method.

t) Property, plant and equipment

i) Recognition and measurement
Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

ii) Subsequent additional costs
Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset, will flow to the Banking Group in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for capitalisation are expensed as incurred through the Consolidated Statement of Comprehensive Income.

iii) Disposal of assets
The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included within the Consolidated Statement of Comprehensive Income in the year of disposal.

iv) Depreciation and amortisation
Assets are depreciated using the straight line method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition. The useful lives of assets are as follows:

Installations	10 years
Furniture and fixtures	5-10 years
Computer technology	2-5 years

u) Deposits and amounts due to other financial institutions

Deposits and amounts due to other financial institutions are recognised initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method.

v) Provisions

A provision, other than in relation to impairment of financial assets, is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

w) Employee entitlements provision

The provisions for employee entitlements to wages, salaries, bonuses, annual leave and sick leave represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on current wage and salary rates that the Banking Group expects to pay as at reporting date including related on-costs.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Superannuation

The Banking Group contributes to a defined contribution plan called Citibank SuperLife provided by SuperLife Master Trust, where CBNA employees form a separate group within the master trust. SuperLife is governed by trust deeds and is managed separate to the Banking Group. The assets and liabilities of this plan are legally held in a separate trustee-administered fund and are calculated by assessing the fair value of plan assets and deducting the amount of future benefit that employees have earned in return for their service in current and prior periods discounted to present value. However, the Banking Group in New Zealand has no ongoing obligation in respect of liabilities arising under the scheme except for net contributions.

The Banking Group recognises contributions due in respect of the accounting period in the Consolidated Statement of Comprehensive Income. Any contributions unpaid at the financial year end are included as a liability.

y) Payables

Payables include accrued expenses and interest payable which are brought to account at the gross value of the outstanding balance, which is expected to approximate cost.

z) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

aa) Statement of cash flows

The Consolidated Statement of Cash Flows have been prepared on the basis of net cash flows of this Banking Group. The reason for this presentation is that the business of banking produces cash receipts and payments for items in which their turnover is quick, the amounts are large and the maturities are short. The reporting of gross turnover of these items would not assist in the understanding of the financial statements.

ab) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Banking Group has access at that date. The fair value of a liability reflects its non-performance risk.

For fair value instruments and financial assets at FVOCI that are quoted in active markets, fair values are determined at the current quoted bid/offer price. Where independent prices are not available, fair values may be determined using valuation techniques with reference to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

ac) Changes in accounting policy

Software as a Service (“SaaS”) arrangements are service contracts providing the Banking Group with the right to access the cloud provider's application software over the contract period. The International Financial Reporting Standards Interpretations Committee issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud - (March 2019) - this decision considers whether a customer receives a software asset at the commencement date or a service over the contract term
- Configuration or customisation (April 2021) - this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over which time period the expenditure is expensed. Upon adoption of the decision, costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. The following table outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract – Fee for use of application software:
- Customisation Costs

Recognise as an operating expense as the service is received:
- Configuration Costs
- Testing Costs
- Training Costs

The following key judgements are made when applying the accounting policy:

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised. Non distinct configuration and customisation costs are expensed over the SaaS contract term. Non distinct customisation activities may significantly enhance or modify SaaS cloud based application. Judgement is applied in determining whether the degree of customisation and modification of the SaaS cloud based

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements where there is software code that either enhances, modifies or creates additional capability to the existing owned software, judgement is applied to determine whether the changes to the owned software meet the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets.

2. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following material risks from the use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Strategic risk
- Reputational risk
- Compliance risk

This note presents information about the Banking Group's exposure to each of these risks and the objectives, policies and processes for measuring and managing risk. The management of capital is discussed in note 22.

2. FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework

The CBNA New Zealand Branch and the Banking Group's risk management framework is consolidated within the global Citi Enterprise Risk Management Framework. The Risk Management Framework recognises the diversity of business activities by balancing strong corporate oversight with well-defined independent risk management functions. Management of risk is the collective responsibility of all employees. As stipulated in the framework, accountability is assigned into 'three lines of defence' as outlined by the global Citi Risk Appetite Policy.

Risks are regularly reviewed with the independent business-level risk managers and senior business managers, as appropriate. Risk management is integrated within the business plan and strategy.

The Risk Management Framework is grounded on the following principles which apply to all businesses and all material risks:
- Risk management is integrated within the business plan and strategy;
- Risks and resulting returns are owned and managed by an accountable business unit;
- Risks are managed within a limit framework with risk limits endorsed by business management and approved by independent risk management;
- Risk management policies are clearly and formally documented;
- Risks are measured using defined methodologies, including stress testing and approved portfolio benchmarks; and
- Risks are comprehensively reported across the organisation.

Credit Risk

Credit risk is the risk to current or anticipated earnings or capital from a customer or counterparty to a financial instrument failing to meet its contractual obligations. For risk management reporting purposes, the Banking Group considers and consolidates all elements of credit risk exposure.

Credit exposure can be divided into direct, contingent and pre-settlement exposure. Credit exposure is also generated through settlement risk and clearing risk. All exposures are monitored against approved credit lines or approved thresholds.

Pre-settlement exposure is measured based on the current market values, plus an allowance for the likely movement in market rates over the remaining term of the contract. Counterparty limits or approved thresholds cover all trading activity.

The Banking Group has developed comprehensive credit policies and procedures with respect to recording, clearance and monitoring control processes, to ensure that all customer transactions are promptly accounted for, accurate and that credit quality is closely monitored.

There is credit risk associated with the institutional activities in the Banking Group and its consolidated subsidiaries. Examples include financing transactions, cash trades, placements in the interbank market, as well as holding of investment securities. Credit risk exposure is also generated through daylight overdrafts and settlement risk.

All institutional exposures are monitored daily against approved credit lines. The credit risk is managed and monitored by Institutional Clients Group ("ICG") within their current Credit Risk Management Framework.

Market risk

Market risk includes traded/price risk and non-traded/interest rate risk. Price risk is the risk to current or anticipated earnings or capital arising from changes in the value of either trading portfolios or other obligations that are entered into as part of distributing risk. Interest rate risks is the risk to current or anticipated or capital arising from movements in interest rates.

Management of market risk
Market risks of the Banking Group are managed through Citigroup-wide standards and business policies and procedures. The policies define market risk limits and triggers, risk limits approval processes, limits exceptions and breaches. The policies also define market risk limit monitoring and escalation of limits excesses.

The level of price risk assumed by a business is based on its objectives and earnings, its capacity to manage risk and by the sophistication of the local market. Limits are established for each major category of risk.

Market Risk Management ("MRM") for New Zealand have implemented a market risk limit and trigger framework. In addition to adhering to market risk limits and triggers, risk taking units are required to trade only within their permitted products list, approved by MRM. Market risk exposures against limits and triggers are monitored daily and limits are reviewed at least annually by MRM. Any limit excess is escalated and actioned as specified per the Citigroup Mark-to-Market Risk Policy. MRM and the applicable business management are responsible for agreeing on appropriate corrective actions, including a resolution date. The methodologies used to measure market risk exposures are approved by Citigroup Risk Analytics.

Traded market risk (Trading Book)
The Banking Group did not have traded market risk positions during 2021. Residual foreign currency balances within the entity are, however, considered as traded market risk for regulatory capital purposes.

Non-traded market risk (Banking Book)
Activities excluded from the trading book as per the market risk policies are included within the banking book. This includes funding and liquidity management positions which are marked-to-market or accrual positions.

The Treasury function manages non-traded interest rate risk for the local business units, by requiring all businesses to transfer price the interest rate risk in their accrual portfolios to the Treasury unit.

For risk management purposes, fixed-rate items are repriced according to their residual terms. Floating rate items are repriced according to the residual term to the next repricing date. Repricing assumptions are made for items that do not have a contractually-defined repricing date. Those assumptions are reviewed and approved annually by various functions, including the business, management's Asset and Liability Committee and the Market Risk Manager.

Liquidity risk

Liquidity risk is the risk that the Banking Group will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral need. The Company is exposted to liquidity risk in its business activities.

The Banking Group maintains a liquidity risk management framework designed with the objective of funding its obligations under a range of market conditions, including stress scenarios.

The Company ensures that it wil have sufficient liquidity to meet its liabilities and when they are due, under both normal and stress conditions, without incurring unacceptable losses.

2. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This definition of operational risk includes legal risk — which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of CBNA New Zealand Branch to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of CBNA New Zealand Branch business — but excludes strategic and reputation risks. Citi also recognizes the impact of Operational Risk on the reputation risk associated with Citi's business activities

Operational risk is inherent in the Banking Group's global business activities and, as with other risk types, is managed through the Citi Operational Risk Management Framework with a defined Three lines of defence model.

- Recognised ownership of the risk by the businesses;
- Oversight by independent risk management; and
- Independent review by Internal Audit.

Framework

The Banking Group's approach to operational risk is defined in the Operational Risk Management Policy. The objective of the Policy is to establish a consistent value-added framework for assessing and communicating operational risk and overall effectiveness of the internal control environment across the entity. Each major business segment to implement an operational risk process consistent with the requirements of the Policy.

The Governance Risk and Compliance (GRC) "Manager's Control Assessment" (MCA) is used as the formal governance and reporting structure. MCA aims to:

- Create a framework for discussing operational risks and controls;
- Renew focus on the design and execution of operational controls;
- Increase the capabilities for managers to obtain and consider multiple sources of control-related information in order to determine the adequacy of the overall control environment, e.g. corrective action plans and loss event data; and
- Help managers across Citigroup gain early line of sight into control issues and vulnerabilities, and emerging risks.

The GRC MCA standards for Risk Assessment and Controls Monitoring are applicable to all businesses and staff functions and establish a process whereby important risks inherent in the activities of a business are identified and the effectiveness of the key controls over those risks are evaluated and monitored.

MCA supports the management of GRC Risks and is a key component of the Business Environment and Internal Control Factors (BEICFs) required under the Basel Capital Standard. MCA Standard is consistent with the requirements of the COSO 2013 Internal Control – Integrated Framework, and complement Sarbanes-Oxley (SOX) Sections 302 and 404, to support overall Internal Control over Financial Reporting (ICFR).

The GRC MCA is a comprehensive self-assessment program, methodology and tools that allow management to enable i) risk and control identification; ii) assessment and monitoring; and iii) residual risk management for all GRC risks. MCA is focused on the most significant risks and key controls. MCA provides Citi's Management and independent risk and control functions a holistic view of residual risk rating and insight into trends & drivers for their business or function.

The entire process is monitored and periodically validated by in-country independent Compliance & Enterprise Risk Management teams and is subject to audit by the entity's Internal Audit Department. The results of GRC MCA are included in periodic management reporting, including reporting to senior management.

Audits

Internal Audit (IA) undertakes independent periodic audits of all businesses within the entity using a risk-based approach.

Strategic risk

Strategic risk is the risk to current or anticipated earnings, capital, or franchise or enterprise value arising from poor, but authorised, business decisions (in compliance with regulations, policies and procedures), an inability to adapt to changes in the operating environment, or other external factors that may impair the ability to carry out a business strategy.

The Banking Group senior management is responsible for the development and execution of the strategy. At the business level, business heads are accountable for the interpretation and execution of the firm-wide business plan, as it applies to their area, including decisions on new product entries.

The management of the strategic risk rests upon foundational elements such as clear articulation of the firm's strategy; defined financial and operating targets; regular updates to senior management on performance including financial and operating targets, current and potential macro-economic events, the strength of capital and liquidity positions, staffing levels, stress testing results, market growth rates and peer analysis; and management scorecards.

In assessing its strategic risks, the Company assesses emerging risks. One example includes climate risk, which refers to the risks of loss arising from the physical risks of climate change (e.g., increased storms, droughts, etc.) or the transition risks from policy, technology or market shifts to address climate change (e.g., carbon tax policy, battery storage technology, etc.). Climate risk can act as a driver of other types of risk in the Risk Taxonomy (e.g. credit risk, operational risk, reputational risk).

Reputational risk

Reputational risk is the risk to current or anticipated earnings, capital or franchise or enterprise value arising from negative public opinion.

Reputational risk is managed centrally across all the legal entities operating under the Citi brand, hence, reputational risk is shared across the group. Being a global bank, the local entities are also subject to contagion risk as the local operations may be impacted by Citi's actions offshore.

Compliance risk

Compliance risk is the risk arising from violations of, or non-conformance with, local, national, or cross-border laws, rules, or regulations, Citi's internal policies, or relevant standards of conduct or risk of harming customers, clients or the integrity of the market. Citi's objective is to embed an enterprise-wide compliance risk management framework and culture that identifies, measures, monitors, mitigates, and controls compliance risk across the three lines of defence.

	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
3. INTEREST		
Interest Income from:		
Cash and demand deposits with central banks	4,167	2,898
Loans and advances to customers	5,564	8,286
Financial assets at FVOCI	2,004	3,386
Loans and advances - head office (including other branches)	89	634
Loans and advances - other related parties	56	62
	11,880	15,266
Interest Expense from:		
Deposits from other banks	2	96
Other deposits	825	1,994
Head office (including other branches)	1,220	1,009
Other related parties	99	100
Lease liabilities	25	19
	2,171	3,218
Net interest income	9,709	12,048

	2021 $(000's)	2020 $(000's)
4. OTHER INCOME		
Net trading income		
Related parties		
Interest rate derivatives	12,188	608
Third parties		
Net foreign exchange	(5,890)	5,618
Securities	(159)	403
	6,139	6,629
Net fees income		
Lending and credit facility related	5,828	5,114
Fiduciary activities	5,337	4,960
Other fee income	13,888	8,674
Net fees income	25,053	18,748
Other operating income	65	46
Net other income	31,257	25,423

	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
5. OPERATING EXPENSES		
Auditor's remuneration		
Audit services	178	167
Other assurance services	21	16
	199	183
Staff Costs		
Salaries and other staff expenses	6,252	6,276
Defined contribution superannuation expenses	303	278
Share based payments	344	249
Other fees paid	899	790
	7,798	7,593
Depreciation		
Installations	1	66
Furniture and equipment	5	26
Computer technology	5	9
Right-of-use assets	281	288
	292	389
Other		
Management fees paid - head office (including other branches)	2,281	2,195
Management fees paid - other related parties	3,703	3,375
Other	4,210	4,977
	10,194	10,547
Total operating expenses	18,483	18,712

	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
6. TAXATION		
(a) Income tax expense		
Current year tax expense		
Current year	6,556	5,826
Prior year adjustment	(31)	(216)
Deferred tax benefit		
Origination and reversal of deferred tax	(18)	(386)
Income tax expense	6,507	5,224
(b) Reconciliation between income tax expense and profit before tax		
Profit before tax	22,557	18,812
Prima facie income tax expense at 28% on profit	6,316	5,268
Increase in income tax expense due to:		
Non-deductible expenses	222	172
(Over) / Under provision in prior years	(31)	(216)
Income tax expense	6,507	5,224
(c) Income tax recognised directly in equity (lifetime to date)		
Fair value through other comprehensive income reserve	(8)	61
Share based payments	89	84
	81	145
(d) Tax assets and tax liabilities		
Details of recognised deferred tax assets		
Property, plant and equipment	34	66
Share based payments	157	55
Provisions	837	811
Lease	15	7
Other	56	87
	1,099	1,026
(e) Movement in deferred tax		
Opening balance as at 1st January	1,026	829
Recognised in income	10	426
Recognised in equity	63	(229)
Closing balance	1,099	1,026

Refer to note 33 for the imputation credits available to the shareholders of CBNA New Zealand Branch and the Banking Group through Citibank Nominees (New Zealand) Limited.

	BANKING GROUP	
	2021	2020
7. DERIVATIVE FINANCIAL INSTRUMENTS	$(000's)	$(000's)
Derivative assets		
Related parties		
Foreign exchange		
Trading derivatives	3,083	-
	3,083	-
8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Government bonds	486,551	542,473
	486,551	542,473
9. OTHER ASSETS		
Accrued interest - head office (including other branches)	18	8
Accrued interest - other related parties	2	4
Accrued interest - third parties	700	2,101
Other receivables - head office (including other branches)	762	201
Other receivables - other related parties	4	4
Other receivables - third parties	461	1,024
	1,947	3,342

10. ASSET QUALITY

Past due and impaired assets

The Banking Group has no past due assets, impaired assets, restructured assets, assets (including real estate) acquired through the enforcement of security or other assets under administration.

The Banking Group has no unimpaired assets that are past due.

	BANKING GROUP	
	2021	2020
	$(000's)	$(000's)
Stage 1 provisions		
Balance at start of year	587	646
Net movement in provision	(187)	(59)
Balance at end of year	400	587
Stage 2 provisions		
Balance at start of year	6	-
Net movement in provision	113	6
Balance at end of year	119	6
Stage 3 provisions		
Balance at start of year	-	-
Net movement in provision	-	-
Balance at end of year	-	-
Total loan impairment provisions at end of year	519	593

	BANKING GROUP	
	2021	2020
11. RIGHT-OF-USE ASSETS	$(000's)	$(000's)
Leased Premises		
Right-of-use assets at the beginning of the year	1,364	259
Additions	18	1,393
Depreciation expense	(281)	(288)
Balance at end of year	1,101	1,364
12. Loans and advances		
Gross loans and advances	231,156	394,182
Loan impairment provisions	(519)	(593)
Net loans and advances	230,637	393,589
13. PROVISIONS		
Restoration obligation - operating lease		
Carrying amount at the beginning of the year	197	193
Movement during the year	3	4
Carrying amount at the end of the year	200	197
14. OTHER LIABILITIES		
Accrued interest - head office (including other branches)	287	22
Accrued interest - other related parties	32	3
Accrued Interest - third parties	227	42
Fees received in advance - third parties	642	1,244
Employee entitlements	2,289	1,509
Other payables - head office (including other branches)	-	23
Other payables - third parties	4,361	3,844
	7,838	6,687
15. TOTAL LIABILITIES TO THIRD PARTIES		
Deposits from other banks	7,909	2,972
Other deposits	1,288,099	1,306,134
Current tax liabilities	954	6
Other liabilities	7,519	6,639
	1,304,481	1,315,751

Branch information is provided as per the Registered Bank Disclosure Statement (Overseas Incorporated Registered Banks) Order 2014 (as amended).

16. LEASE LIABILITIES

	BANKING GROUP	
	2021 $(000's)	2020 $(000's)
Current	279	253
Non-current	875	1,136
Lease liabilities	1,154	1,389
Maturity analysis - contractual undiscounted cash flows		
Less than one year	299	278
One to five years	900	1,181
Total undiscounted lease liabilities at end of year	1,199	1,459
Reconciliation of the lease liabilities at the beginning and end of the year are set out below:		
Balance at the beginning of the year	1,389	266
Additions	17	1,393
Payments made	(277)	(289)
Interest expense on lease liabilities	25	19
Balance at end of year	1,154	1,389

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held overnight or on call with financial institutions, nostro accounts and other short term highly liquid assets which are subject to insignificant risk of change in their fair value and are used by the Banking Group in the management of its short term commitments.

	2021	2020
Cash and demand deposits with central banks	1,476,179	1,217,538
Loans and advances to financial institutions at call	15	14,081
Due from related parties	41,133	27,681
Cash and cash equivalents in the Consolidated Statement of Cash Flows	1,517,327	1,259,300

(b) Reconciliation of net profit to net cash from operating activities

	2021	2020
Net profit	16,050	13,588
Adjustments for:		
Depreciation	292	390
Interest expense on lease liabilities	25	19
Movements in operating assets less liabilities	291,570	450,105
Decrease / (Increase) in accrual of interest expenses	480	(554)
Increase in accrual of other expenses/income	1,282	2,756
Revaluations of financial assets and liabilities	(3,083)	-
Movement in tax provision	945	470
Movement in accrual provision	3	4
Movement in head office account	42	-
Decrease in accrual of interest income	1,393	636
Movement in accrual of fees and commissions	(603)	(302)
Net cash from operating activities	308,396	467,112

18. RELATED PARTIES

(a) Ultimate holding company

The ultimate parent of the Banking Group is Citigroup. These financial statements reflect only the operations of the Banking Group. The financial statements of Citigroup should be read in conjunction with these financial statements.

Members of Citibank, N.A. New Zealand Branch and Associated Banking Group

CBNA New Zealand Branch	Branch of CBNA
Citibank Nominees (New Zealand) Limited	Locally incorporated wholly-owned subsidiary of Citibank Overseas Investment Corporation.

(b) Related party transactions

Interest received and paid to related parties is disclosed in note 3.

Management fees paid to related parties are disclosed in note 5.

18. RELATED PARTIES (continued)

(c) Related party balances

	BANKING GROUP	
	2021 $(000's)	**2020 $(000's)**
Assets		
Cash balances - head office (including other branches)	40,969	27,681
Cash balances - other related parties	164	-
Current accounts - head office (including other branches)	232,086	6,595
Current accounts - other related parties	271	695
Due from related parties	273,490	34,971
Derivative financial assets - on balance sheet	3,083	-
Other assets - head office (including other branches)	780	209
Other assets - other related parties	6	8
Other related parties assets	3,869	217
Liabilities		
Current accounts - head office (including other branches)	230,520	136,047
Current accounts - other related parties	119,510	237,166
Deposits - head office (including other branches)	653,093	333,800
Deposits - other related parties	15,000	-
Due to related parties	1,018,123	707,013
Other liabilities - head office (including other branches)	287	45
Other liabilities - other related parties	32	3
Other related parties liabilities	319	48
Derivative notional amounts		
Foreign exchange forwards		
Head office (including other branches)	100,344	-

All transactions with related parties are at commercial arms length terms and rates. These are conducted predominantly with other CBNA branches and in the case of the Branch, the Banking Group as well. Outstanding related party balances are not secured.

Management fees are paid to Singapore, Penang, Manila and Sydney for computer system usage and processing charges for back office and middle office functions.

All Citigroup entities within New Zealand are grouped for tax reporting purposes. This group includes the Branch and the Associated Banking Group. There were no outstanding balances at balance date.

Cash balances due from related parties are disclosed in note 17 (a).

18. RELATED PARTIES (continued)

(d) Compensation of key management personnel

Key management personnel compensation represents compensation paid or payable to the Directors and specified employees of the New Zealand Banking Group for their services to the Banking Group.

	BANKING GROUP	
	2021 $(000's)	**2020 $(000's)**
Short term employee benefits	2,496	2,493
Post employment benefits	121	119
Equity compensation benefits	117	117
Total income payable or otherwise made available to all key management personnel of the NZ Banking Group	2,734	2,729

(e) Loans to key management personnel

There are no outstanding loans to key management personnel at 31st December, 2021 (2020: Nil).

19. SHARE BASED PAYMENTS

Stock award programme

The Banking Group participates in Capital Accumulation Programme ("CAP") and awards shares of Citigroup Inc.'s common stock in the form of restricted or deferred stock to participating employees. CAP awards generally vest in equal annual instalments over four years.

Information with respect to current year stock awards is as follows:	BANKING GROUP	
	2021	**2020**
Shares awarded in Citigroup Inc.	4,372	1,089
Weighted average fair market value per share (US $)	63.08	78.91
	$(000's)	**$(000's)**
Expense arising from share plans recognised in the Consolidated Statement of Comprehensive Income	176	84
Balance of liability account	1,488	1,440

20. FIDUCIARY ACTIVITIES

The Banking Group provides nominee and custodial services on behalf of customers. At balance date, the Banking Group had securities registered in its name of $19,574 million which were held under nominee arrangements on behalf of its customers (December 2020: $17,389 million). The provision of such services do not adversely affect the Banking Group and do not give rise to any credit risk.

21. CONTINGENT LIABILITIES AND COMMITMENTS

Normal business activity incurs a variety of outstanding commitments and contingent liabilities such as commitments to extend credit, forward foreign exchange contracts, and futures contracts. The Directors do not anticipate any material loss occurring as a result of these transactions and consequently no provisions are included in the financial statements in respect of these matters. For operating leases, the balance of the restoration obligation provision is disclosed in note 13.

	BANKING GROUP	
	2021 $(000's)	**2020 $(000's)**
Guarantees, letters of credit and undrawn loans	450,564	745,125

22. CAPITAL AND RESERVES

CBNA New Zealand Branch, as a branch of CBNA has a banking license but is not subject to any minimum capital requirements in New Zealand due to its branch status, other than the requirement to comply with thin capitalisation rules. The compliance with the minimum capital adequacy requirements is administered at the US parent entity level.

The major business is conducted in CBNA with no significant activity carried out in the Banking Group. The capital management plan is therefore prepared on a consolidated level covering both the Branch and Banking Group.

The objectives of this capital management plan are:

- To ensure that the Banking Group maintains an appropriate level of capital commensurate to its risks and to support new business initiatives and growth;
- To ensure that capital is maintained at a level that meets thin capitalisation rules and to support the case for any capital surplus repatriation back to New York; and
- To ensure sufficient liquidity, limits and ratios are in place to support any asset growth.

CBNA New Zealand Branch - the capital contribution from head office is unsecured and interest free and is repayable at the discretion of the branch and subordinate to all other debts. The head office account balances have changed due to the recognition of amounts in relation to share based payments/share options under NZ IFRS 2 *Share Based Payments*.

The key risks to the businesses in the Banking Group which are continuously monitored are liquidity risk and thin capitalisation risk. Liquidity risk and the process of its management has been explained in note 2 of these financial statements. Thin capitalisation risk is the risk that interest deductions could be denied for tax purposes.

The thin capitalisation rules effectively require the Banking Group to hold a combination of share capital and branch equity in the form of the head office account and retained earnings amounting to not less than 6% of the amount of risk weighted exposures of the Banking Group calculated pursuant to the capital adequacy framework prescribed by the Reserve Bank of New Zealand. Risk weighted exposures comprises the sum of a) risk-weighted on-balance sheet credit exposures b) risk-weighted off-balance sheet credit exposures c) credit equivalent amounts for derivatives d) 12.5 × total capital requirement for operational risk and e) 12.5 × total capital charge for market risk exposure.

The process for managing capital:

A two year forward capital plan is produced on an annual basis by corporate treasury. Through this process a historical and forecast trend analysis of the statement of financial position including capital is performed. The ALCO approves the annual capital plan. There are no local minimum regulatory capital requirements for CBNA New Zealand Branch as a result of its branch status. Capital levels are only monitored for thin capitalisation adequacy which is calculated on a consolidated basis for all Citi entities in New Zealand. Actual capital levels versus risk weighted assets for thin capitalisation purposes are monitored on a quarterly basis (and more frequently depending on the situation) throughout the year by financial control, risk management, tax and corporate treasury and any issues are reported to ALCO. If additional capital is required, a formal request to New York corporate treasury is made after ALCO and requisite local and regional management approvals are obtained. If there is capital excess to requirements, a capital repatriation must first be approved by local ALCO prior to the repatriation occurring. Local corporate treasury manage the settlement process for capital injections and repatriations.

The equity comprises Banking Group share capital, branch equity in the form of the head office account, fair value through other comprehensive income reserve and retained earnings.

	BANKING GROUP	
	2021	**2020**
	$(000's)	**$(000's)**
Paid-up capital	-	-
Head office account	33,618	33,576
Fair value through other comprehensive income reserve	(22)	156
Retained earnings	116,329	150,273
	149,925	184,005

23. CREDIT RISK RATING

A risk rating is the numerical proxy for the 12 month risk of default on long term (over 1 year) senior unsecured debt in local currency.

Risk Ratings enable the Banking Group to describe and compare all Citigroup credit exposures regardless of the nature, type or location of the credit facility. Risk ratings are assigned on a scale of 1 to 10, with 1 being the highest quality risk and 10 being the lowest. A sub-grade is used to indicate a finer degree of potential risk.

A significant increase in credit risk (SICR) is defined as a change in risk rating from the rating since origination.

Description	**Citigroup Risk Rating**
Superior. Extremely strong capacity to pay interest and repay principal in a timely manner.	1
Excellent. Very strong capacity to pay interest and repay principal in a timely manner.	2+ 2 2-
Good. Strong capacity to pay interest and repay principal in a timely manner.	3+ 3 3-
Adequate capacity to pay interest and repay principal in a timely manner.	4+ 4 4-
May be adequate but judged to have speculative elements.	5+ 5 5-
Vulnerable. Assurance of interest and principal payments over any long period of time may be small.	6+ 6 6-
Extremely vulnerable. Speculative to a high degree.	7+ 7 7- 8 9 10

Distribution of risk ratings:

				Risk Rating			
	1	**2+ to 2-**	**3+ to 3-**	**4+ to 4-**	**5+ to 5-**	**6+ to 10**	**Total**
As at 31 December, 2021	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**
Cash and cash equivalents	1,476,179	40,969	179	-	-	-	1,517,327
Due from related parties	-	232,088	255	6	8	-	232,357
Derivative financial assets	-	3,083	-	-	-	-	3,083
Financial assets at FVOCI	-	486,551	-	-	-	-	486,551
Loans and advances	-	535	4,685	73,231	114,451	37,735	230,637
Other financial assets	-	22	191	193	293	21	720
	1,476,179	763,248	5,310	73,430	114,752	37,756	2,470,675

				Risk Rating			
	1	**2+ to 2-**	**3+ to 3-**	**4+ to 4-**	**5+ to 5-**	**6+ to 10**	**Total**
As at 31 December, 2020	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**
Cash and cash equivalents	1,217,538	27,361	2,336	175	11,890	-	1,259,300
Due from related parties	-	6,594	304	-	392	-	7,290
Financial assets at FVOCI	-	542,473	-	-	-	-	542,473
Loans and advances	-	100,229	6,573	175,439	111,288	60	393,589
Other financial assets	7	1,421	175	259	250	-	2,112
	1,217,545	678,078	9,388	175,873	123,820	60	2,204,764

24. INTEREST RATE RISK REPRICING SCHEDULE

The contractual repricing or maturity periods of financial instruments are as follows:

	Fixed interest rate maturing in:						
	0-3 mths	**3-6 mths**	**6-12 mths**	**1-2 years**	**More than 2 years**	**Non-Interest Bearing**	**Total**
As at 31 December, 2021	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**
Financial assets							
Cash and cash equivalents	1,517,327	-	-	-	-	-	1,517,327
Due from related parties	232,357	-	-	-	-	-	232,357
Financial assets at FVOCI	486,551	-	-	-	-	-	486,551
Loans and advances	230,546	-	-	-	-	91	230,637
	2,466,781	-	-	-	-	91	2,466,872
Financial liabilities							
Deposits from other banks	7,909	-	-	-	-	-	7,909
Due to related parties	953,123	10,000	55,000	-	-	-	1,018,123
Other deposits	1,287,700	-	-	-	-	399	1,288,099
	2,248,732	10,000	55,000	-	-	399	2,314,131
Off balance sheet							
Foreign exchange contracts - receive	100,200	-	-	-	-	-	100,200
Foreign exchange contracts - (pay)	(100,344)	-	-	-	-	-	(100,344)
	(144)	-	-	-	-	-	(144)

	Fixed interest rate maturing in:						
	0-3 mths	**3-6 mths**	**6-12 mths**	**1-2 years**	**More than 2 years**	**Non-Interest Bearing**	**Total**
As at 31 December, 2020	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**
Financial assets							
Cash and cash equivalents	1,259,296	-	-	-	-	4	1,259,300
Due from related parties	7,290	-	-	-	-	-	7,290
Financial assets at FVOCI	58,930	432,619	50,924	-	-	-	542,473
Loans and advances	393,586	-	-	-	-	3	393,589
	1,719,102	432,619	50,924	-	-	7	2,202,652
Financial liabilities							
Deposits from other banks	2,972	-	-	-	-	-	2,972
Due to related parties	702,012	-	5,000	-	-	1	707,013
Other deposits	1,305,775	-	-	-	-	359	1,306,134
	2,010,759	-	5,000	-	-	360	2,016,119

25. LIQUIDITY RISK - MATURITY PROFILE

(a) The contractual maturity periods of financial instruments are as follows:

As at 31 December, 2021	On Demand $(000's)	0-12 mths $(000's)	1-2 years $(000's)	2-5 years $(000's)	More than 5 years $(000's)	Gross nominal inflow / (outflow) $(000's)	Total $(000's)
Assets							
Cash and cash equivalents	1,517,327	-	-	-	-	1,517,327	1,517,327
Due from related parties	232,357	-	-	-	-	232,357	232,357
Financial assets at FVOCI	-	486,551	-	-	-	486,551	486,551
Loans and advances	8,409	104,921	22,437	95,424	-	231,191	230,637
Derivative financial assets	-	3,083	-	-	-	3,083	3,083
Other financial assets	56	664	-	-	-	720	720
	1,758,149	595,219	22,437	95,424	-	2,471,229	2,470,675
Liabilities							
Deposits from other banks	7,909	-	-	-	-	7,909	7,909
Due to related parties	350,030	668,667	-	-	-	1,018,697	1,018,123
Other deposits	1,288,099	-	-	-	-	1,288,099	1,288,099
Other financial liabilities	353	836	-	-	-	1,189	1,189
	1,646,391	669,503	-	-	-	2,315,894	2,315,320

As at 31 December, 2020	On Demand $(000's)	0-12 mths $(000's)	1-2 years $(000's)	2-5 years $(000's)	More than 5 years $(000's)	Gross nominal inflow / (outflow) $(000's)	Total $(000's)
Assets							
Cash and cash equivalents	1,259,300	-	-	-	-	1,259,300	1,259,300
Due from related parties	7,290	-	-	-	-	7,290	7,290
Financial assets at FVOCI	-	516,727	-	25,746	-	542,473	542,473
Loans and advances	4,233	131,253	83,854	174,996	-	394,336	393,589
Other financial assets	71	2,041	-	-	-	2,112	2,112
	1,270,894	650,021	83,854	200,742	-	2,205,511	2,204,764
Liabilities							
Deposits from other banks	2,972	-	-	-	-	2,972	2,972
Due to related parties	373,213	333,810	-	-	-	707,023	707,013
Other deposits	1,206,134	100,003	-	-	-	1,306,137	1,306,134
Other financial liabilities	-	1,312	-	-	-	1,312	1,312
	1,582,319	435,125	-	-	-	2,017,444	2,017,431

25. LIQUIDITY RISK - MATURITY PROFILE (continued)

(b) Liquidity risk management

Liquidity risk is managed on the basis of expected maturity dates for certain products (see below) and is based on a business-as-usual view of the Banking Group's funding requirements.

All related party assets and liabilities are managed on a contractual maturity basis.

It is assumed that third party assets will roll over as management is not expecting any reduction in the Consolidated Statement of Financial Position and are therefore shown in the > 2 years category. The only exception is cash with central banks which is treated on a contractual maturity basis.

Third party liabilities are split into two main categories:
(i) Long-term debt which is managed on a contractual maturity basis; and

(ii) Corporate and other deposits. Non-volatile balances are reported in the >2 years bucket and volatile balances in the up to three months bucket. The methodology for calculating the volatile and non-volatile balances is based on an analysis of 2.36 standard deviations of the previous twelve months' balances and the resulting percentages are applied to the Consolidated Statement of Financial Position.

The expected maturity periods of financial instruments are based on the carrying value in the Consolidated Statement of Financial Position, and are as follows:

	On Demand	0-12 mths	1-2 years	More than 2 years	Total
As at 31 December, 2021	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**
Assets					
Cash and cash equivalents	1,517,327	-	-	-	1,517,327
Due from related parties	232,357	-	-	-	232,357
Financial assets at FVOCI	-	-	-	486,551	486,551
Loans and advances	-	-	-	230,637	230,637
Derivative financial assets	-	3,083	-	-	3,083
Other financial assets	20	-	-	700	720
	1,749,704	3,083	-	717,888	2,470,675
Liabilities					
Deposits from other banks	161	2,517	-	5,231	7,909
Due to related parties	350,030	668,093	-	-	1,018,123
Other deposits	26,179	410,149	-	851,771	1,288,099
Other financial liabilities	144	470	-	575	1,189
	376,514	1,081,229	-	857,577	2,315,320

25. LIQUIDITY RISK - MATURITY PROFILE (continued)

(b) Liquidity risk management (continued)

As at 31 December, 2020	On Demand $(000's)	0-12 mths $(000's)	1-2 years $(000's)	More than 2 years $(000's)	Total $(000's)
Assets					
Cash and cash equivalents	1,245,219	-	-	14,081	1,259,300
Due from related parties	7,290	-	-	-	7,290
Financial assets at FVOCI	-	-	-	542,473	542,473
Loans and advances	-	-	-	393,589	393,589
Other financial assets	11	-	-	2,101	2,112
	1,252,520	-	-	952,244	2,204,764
Liabilities					
Deposits from other banks	76	877	-	2,019	2,972
Due to related parties	373,213	333,800	-	-	707,013
Other deposits	33,554	385,569	-	887,011	1,306,134
Other financial liabilities	15	895	-	402	1,312
	406,858	721,141	-	889,432	2,017,431

26. FOREIGN CURRENCY RISK

	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
The receivable / (payable) net open position in each currency is		
AUD	143	(91)
CAD	60	39
CHF	265	107
EUR	83	122
GBP	124	239
HKD	136	60
JPY	135	65
SEK	15	16
SGD	220	171
USD	648	228
	1,829	956

27. FAIR VALUE

(a) Fair value of financial instruments	2021 Carrying value $(000's)	2021 Fair value $(000's)	2020 Carrying value $(000's)	2020 Fair value $(000's)
Assets				
Cash and cash equivalents	1,517,327	1,517,327	1,259,300	1,259,300
Due from related parties	232,357	232,357	7,290	7,290
Derivative financial assets	3,083	3,083	-	-
Financial assets at FVOCI	486,551	486,551	542,473	542,473
Loans and advances	230,637	230,637	393,589	393,589
Other financial assets	720	706	2,112	2,112
Total assets	2,470,675	2,470,661	2,204,764	2,204,764
Liabilities				
Deposits from other banks	7,909	7,909	2,972	2,972
Due to related parties	1,018,123	1,017,721	707,013	707,012
Other deposits	1,288,099	1,288,099	1,306,134	1,306,134
Other financial liabilities	1,189	1,189	1,312	1,312
Total liabilities	2,315,320	2,314,918	2,017,431	2,017,430

For financial instruments not carried at fair value in the balance sheet, fair value is estimated as follows:

Cash or receivables short term in nature - the carrying value is a reasonable estimate of the fair value.

Loans and advances and financial liabilities carried at amortised cost with a maturity greater than six months - fair value is estimated using a discounted cash flow model by reference to published price quotations.

(b) Fair value hierarchy:

Financial instruments carried at fair value are categorised into different levels in the table below. The different levels have been defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques using 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).

Level 3: Valuation techniques with significant inputs for the asset or liability that are not substantially based on observable market data (i.e. unobservable inputs).

Cash and cash equivalents, due from related parties, due to related parties and other deposits are considered level 2 assets/liabilities in the fair value hierarchy.

Loans and advances are considered level 3 assets in the fair value hierarchy.

Fair value hierarchy of financial instruments:

As at 31 December, 2021	Level 1 $(000's)	Level 2 $(000's)	Level 3 $(000's)	Total $(000's)
Assets				
Derivative financial assets	-	3,083	-	3,083
Financial assets at FVOCI	-	486,551	-	486,551
Total	-	489,634	-	489,634

As at 31 December, 2020	Level 1 $(000's)	Level 2 $(000's)	Level 3 $(000's)	Total $(000's)
Assets				
Derivative financial assets	-	-	-	-
Financial assets at FVOCI	542,473	-	-	542,473
	542,473	-	-	542,473

During 2021, a change in valuation policy results in New Zealand Government bonds being considered as level 2 assets (2020: level 1).

Financial assets and liabilities by class	**Designated at FVTPL**	**Mandatorily at FVTPL**	**Financial assets at amortised cost**	**Financial assets at FVOCI**	**Financial liabilities at amortised cost**	**Total**
	$(000's)	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**	**$(000's)**
As at 31 December, 2021						
Cash and cash equivalents	-	-	1,517,327	-	-	1,517,327
Due from related parties	-	-	232,357	-	-	232,357
Derivative financial assets	-	3,083	-	-	-	3,083
Financial assets at FVOCI	-	-	-	486,551	-	486,551
Loans and advances	-	-	230,637	-	-	230,637
Other financial assets	-	-	720	-	-	720
Total carrying value	-	3,083	1,981,041	486,551	-	2,470,675
Total fair value	-	3,083	1,984,110	486,551	-	2,473,744
Deposits from other banks	-	-	-	-	7,909	7,909
Due to related parties	-	-	-	-	1,018,123	1,018,123
Other deposits	-	-	-	-	1,288,099	1,288,099
Other financial liabilities	-	-	-	-	1,189	1,189
Total carrying value	-	-	-	-	2,315,320	2,315,320
Total fair value	-	-	-	-	2,314,918	2,314,918
As at 31 December, 2020						
Cash and cash equivalents	-	-	1,259,300	-	-	1,259,300
Due from related parties	-	-	7,290	-	-	7,290
Derivative financial assets	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	542,473	-	542,473
Loans and advances	-	-	393,589	-	-	393,589
Other financial assets	-	-	2,112	-	-	2,112
Total carrying value	-	-	1,662,291	542,473	-	2,204,764
Total fair value	-	-	1,662,291	542,473	-	2,204,764
Deposits from other banks	-	-	-	-	2,972	2,972
Due to related parties	-	-	-	-	707,013	707,013
Other deposits	-	-	-	-	1,306,134	1,306,134
Other financial liabilities	-	-	-	-	1,312	1,312
Total carrying value	-	-	-	-	2,017,431	2,017,431
Total fair value	-	-	-	-	2,017,430	2,017,430

28. CONCENTRATIONS OF CREDIT EXPOSURE

	BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
(a) Industry sectors		
Finance	1,804,016	1,384,313
Government	517,187	582,336
Food manufacturing	93,840	122,134
Insurance	106	100,104
Mining	72,691	100,046
Communication	93,466	85,236
Wholesale trade	56,721	21,909
Electricity, Gas and Water	10,791	17,325
Property and business services	4,443	13,069
Other	42,910	33,855
	2,696,171	2,460,327
Other assets	3,528	3,638
	2,699,699	2,463,965

		BANKING GROUP 2021 $(000's)	BANKING GROUP 2020 $(000's)
(b) Geographical areas			
Exposures within New Zealand		2,410,666	2,409,801
Exposures to other countries (in NZD) -	USA	30,326	33,800
	Great Britain	8,127	6,426
	Australia	6,252	6,048
	Hong Kong	231,470	339
	Other	9,330	3,912
		2,696,171	2,460,326
Other Assets		3,528	3,638
		2,699,699	2,463,964

The concentration of credit exposure includes both on and off balance sheet items. The Australian and New Zealand Standard Industrial Classification (ANZSIC) codes have been used as the basis for disclosing industry sectors.

		BANKING GROUP 2021	BANKING GROUP 2020
29. CONCENTRATIONS OF FUNDING		**$(000's)**	**$(000's)**
(a) Product			
Transaction call accounts		1,647,033	1,583,625
Deposits		668,287	433,808
		2,315,320	2,017,433
Provisions and other liabilities		8,957	6,966
		2,324,277	2,024,399
(b) Industry sectors			
Finance		1,451,549	1,002,562
Communication		78,889	143,236
Food manufacturing		36,398	79,845
Insurance		42,516	116,042
Other manufacturing		309,594	286,675
Property and business services		232,364	193,642
Transport and Storage		44,124	46,003
Wholesale trade		76,806	70,872
Other		43,080	78,555
		2,315,320	2,017,432
Provisions and other liabilities		8,957	6,966
		2,324,277	2,024,398

ANZSIC codes have been used as the basis for disclosing industry sectors.

(c) Geographical areas			
Exposures within New Zealand		736,659	887,612
Exposures to other countries (in NZD) -	Australia	245,618	94,452
	Great Britain	184,670	115,226
	Singapore	336,981	269,190
	United States	199,289	160,452
	Ireland	107,792	134,498
	Hong Kong	259,630	118,341
	Other	244,681	237,661
		2,315,320	2,017,432
Provisions and other liabilities		8,957	6,966
		2,324,277	2,024,398

30. CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

Based on actual credit exposures, no credit exposure to any individual counterparty of the Banking Group equalled or exceeded 10% of CBNA's equity during 2021 (2020: $Nil). This did not include exposures to counterparties if they were booked outside of New Zealand.

31. EXPOSURES TO MARKET RISK

Unaudited*

	Implied risk weighted exposure	Notional capital charge
	$(000's)	$(000's)
Interest rate risk as at 31 December, 2021	3,975	318
Peak end-of-date interest rate risk (01 July, 2021 to 31 December, 2021)	4,638	371
Foreign currency risk as at 31 December, 2021	1,825	146
Peak end-of-date foreign currency risk (01 July, 2021 to 31 December, 2021)	3,500	280
Interest rate risk as at 31 December, 2020	3,125	250
Peak end-of-date interest rate risk (01 July, 2020 to 31 December, 2020)	7,600	608
Foreign currency risk as at 31 December, 2020	1,050	84
Peak end-of-date foreign currency risk (01 July, 2020 to 31 December, 2020)	3,913	313

Market risk notional capital charges are derived in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) per the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended).

Peak exposure has been derived using the Overseas Banking Group's equity as at the end of the quarter.

The Banking Group segregates its exposure to market risk between trading, non-trading and accrual portfolios.

For the New Zealand operations market risk oversight is achieved through factor sensitivity guidelines covering the traded market risk, non-traded market risk and accrual portfolios. These guidelines ensure that the portfolios are managed within the Global factor sensitivity limits of Citigroup.

Traded market risk

The Banking Group did not have traded market risk positions during 2021. Residual foreign currency balances within the entity are, however, considered as Traded market risk for regulatory capital purposes.

Non-traded market risk

The entire Banking Group portfolio is used for liquidity management activities. It contains money market instruments, securities and interest rate hedges (some of them are mark-to-market).

* Note 31 Exposures to market risk is subject to review procedures which do not constitute an audit. Refer to the Independent Auditor's Report for further information.

Mark-to-market portfolio

Market risk is managed and controlled using value at risk (VaR) along with factor sensitivities which are the standard measures used in the banking industry. VaR is an estimate of the potential losses resulting from shifts in interest rate spreads, and currency exchange rates. VaR is calculated with internally developed models designed to capture the market risk of each specific product in the corporate portfolio. The one-day 99% VaR is obtained from the sample 1% quantile of the distribution of portfolio P&Ls obtained as a result of the 5,000 Monte-Carlo simulated scenarios of one-day changes in the market risk factors underlying the portfolio. The ten-day 99% USD VaR needed for regulatory risk capital is estimated similarly to the one-day 99% USD VaR by using a ten-day period covariance matrix to characterize the multivariate normal distribution of market factor changes over a ten-day horizon. The ten-day covariance matrix is obtained from the one-day covariance matrix by scaling the latter by a factor (squared) of 10.

The market factors are modelled as either normal or lognormal stochastic diffusion processes. Volatility parameters are calculated using the most recent historical time series data available, typically of three years in length. Under these assumptions the market factor returns are multivariate normal. The one-day period covariance matrix characterizing the multivariate normal distribution of these market factor changes is estimated from the historical times series data of market rates/prices. Limitations of the model relate to the assumptions of the distribution of the market factor changes over the holding period.

31. EXPOSURES TO MARKET RISK (continued)

Summary of VaR positions of the trading portfolio:	**Balance**	**Average for the year**	**Maximum for the year**	**Minimum for the year**
	$(000's)	**$(000's)**	**$(000's)**	**$(000's)**
Year ended 31 December, 2021	81	54	147	13
Year ended 31 December, 2020	46	108	227	19

In the current portfolio interest rate risk outright and interest rate spreads contribute around 85-90% of the total VaR, with FX Spot contributing to the remaining balance of 10-15%.

Accrual Portfolio
The Banking Group employs value at close (VaC) as the principal measure to handle the non traded market risk. VaC measures the impact to earnings if the current balance sheet gaps were closed at the market yield curve. The gaps are closed successively from the farthest tenor. Long positions are closed at the bid rate and short positions at the offer rate. Since the methodology is a simple mark to market of the accrual book at the current market interest rates there are no assumptions or parameters involved in this process.

Summary of VaC position of the non-trading portfolio:	**$(000's)**
Year ended 31 December, 2021 - gain to earnings	1,559
Year ended 31 December, 2020 - gain to earnings	279

32. CAPITAL ADEQUACY

Unaudited*

CBNA New Zealand Branch is a branch of, and each member of the Banking Group is a wholly-owned subsidiary of, CBNA, which is an indirect wholly-owned subsidiary of Citigroup.

Capital ratios of Citibank, N.A.

	Well-capitalized Minimum	**Effective Minimum Requirement** [1]		**2021**		**2020**	
		2021	**2020**	**Advanced Approaches**	**Standardised Approach**	**Advanced Approaches**	**Standardised Approach**
Common Equity Tier 1 Capital ratio [2]	6.5%	7.0%	7.0%	14.60%	13.93%	13.64%	13.55%
Tier 1 Capital ratio [2]	8.0%	8.5%	8.5%	14.80%	14.13%	13.84%	13.75%
Total Capital ratio [2]	10.0%	10.5%	10.5%	16.40%	16.46%	15.42%	16.08%

	Well-capitalized Minimum	**2021**	**2020**
Tier 1 Leverage ratio	5.00%	8.78%	8.70%
Supplementary Leverage ratio	6.00%	6.74%	6.67%

[1] Citibank’s effective minimum risk-based capital requirements are inclusive of the 2.5% Capital Conservation Buffer (all of which must be composed of Common Equity Tier 1 Capital).
[2] Citibank’s reportable Common Equity Tier 1 Capital and Tier 1 Capital ratios were the lower derived under the Basel III Standardized Approach, whereas Total Capital ratio was derived under the Basel III Advanced Approaches framework for all periods presented.

For information on the Basel III capital adequacy framework in relation to Citigroup see "Capital Resources" in Citigroup's Annual Report on Form 10-K for the year ended 31st December, 2021. It is available on the Bank's website 'www.citi.co.nz' as part of the disclosure statement dated 31st December, 2021.

* Note 32 Capital Adequacy is subject to review procedures which do not constitute an audit. Refer to the Independent Auditor's Report for further information.

33. IMPUTATION CREDIT ACCOUNT

	BANKING GROUP	
	2021	2020
	$(000's)	$(000's)
Balance at the beginning of the year	591	559
Imputational credits from tax payable	9	32
Balance at the end of the year	600	591

The imputation credits are available to the shareholders of CBNA New Zealand Branch and the Banking Group through Citibank Nominees (New Zealand) Limited.

34. SUBSEQUENT EVENTS

There has not arisen, in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Branch, to affect significantly the operations of the Banking Group, the results of those operations, or the state of affairs of the Banking Group, in future financial years.

The Directors' and the New Zealand Chief Executive Officer's Statement

The undersigned officers of Citibank, N.A., being the Citigroup Country Officer of Citibank, N.A. New Zealand Branch (the "CCO"), signing this statement on his own behalf in such capacity, and Timothy Sedgwick, the duly authorised agent in writing of each and every Director of Citibank, N.A., signing this statement on behalf of each such Director, who, after due enquiry by the CCO and such Directors, believe that -

As at the date hereof, the disclosure statement contains all the information required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended).

As at the date hereof, the disclosure statement is not false or misleading.

During the twelve months ended 31st December, 2021, Citibank, N.A., New Zealand Branch complied with the conditions of registration imposed on it by the Reserve Bank of New Zealand pursuant to section 74 of the Reserve Bank of New Zealand Act 1989.

During the twelve months ended 31st December, 2021, Citibank, N.A., New Zealand Branch had systems in place to monitor and control adequately the material risks of its Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, and other business risks, and those systems were being properly applied.

However, no system of internal control can facilitate the perfect management of banking risks.

However, changes in the financial condition of Citibank, N.A., Citibank, N.A. New Zealand Branch and Associated Banking Group, and/or Citigroup Inc. may have occurred after 31st December, 2021, the most recent date of any of the financial statements included in this disclosure statement, although such changes, if any, and except as set forth in the disclosure statement, are not believed to be material in the context of such affected entity's overall financial condition.

It is confirmed that the said powers of attorney appointing Timothy Sedgwick as agent are still in force and have not been revoked.

Tim Sedgwick

Digitally signed by Tim Sedgwick
Date: 2022.03.28 09:33:34 +11'00'

Signed by Timothy Sedgwick
as agent for all the Directors

Dated this 28th day of March, 2022
in Sydney
Australia

Derek Syme

Digitally signed by Derek Syme
Date: 2022.03.28 13:48:47 +13'00'

Signed by Derek Syme
Citi Country Officer
Citibank, N.A. New Zealand Branch

Dated this 28th day of March, 2022
in Auckland
New Zealand

Independent Auditor's Report

To the shareholders of Citibank N.A., New Zealand Branch and Associated Banking Group

Report on the audit of the disclosure statement

Opinion

In our opinion, the accompanying consolidated financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of Citibank N.A., New Zealand Branch and Associated Banking Group (the 'Banking Group') on pages 10 to 44:

i. give a true and fair view of the Banking Group's financial position as at 31 December 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards ('NZIFRS') and International Financial Reporting Standards.

In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 4, 7, 9, 11 and 13 Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order') and is included within note 32 of the disclosure statement:

i. has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any conditions of registration;

ii. is in accordance with the books and records of the Banking Group in all material respects; and

iii. fairly states the matters to which it relates in accordance with those Schedules

We have audited the accompanying consolidated financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the information that is required to be disclosed in accordance with Schedules 4, 7, 9, 11 and 13 of the Order.

Basis for Opinion

We conducted our Audit in accordance with International Standards on Auditing (New Zealand) ('ISA's (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Banking Group 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISA (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) section of our report.

Our firm has also provided other services to the Banking Group in relation to ISAE 3402 Assurance Report on Controls at a Service Organisation. Subject to certain restrictions, partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. These matters have not impaired our independence as auditor of the Banking Group. The firm has no other relationship with, or interest in, the Banking Group.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the Banking Group, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the Banking Group's major activities in the financial year ended 31 December 2021.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $18,564,000 determined with reference to a benchmark of the Banking Group's total assets. We chose the benchmark because, in our view, this is a key measure of the Banking Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

Valuation of financial assets at fair value through other comprehensive income

The fair value of financial assets through other comprehensive income as at 31 December 2021 is $486.5 million (2020: $542.5 million). Refer to Note 8 in the financial statements.

The key audit matter	How the matter was addressed in our audit

Valuation of financial assets at fair value through other comprehensive income (OCI) was a key audit matter due to their significant size relative to the Banking Group's total assets as at 31 December 2021, and the complexity inherent in auditing the valuation of financial instruments.
 	
The portfolio of financial assets consists of New Zealand government bonds.
	Our audit procedures included the following:
	• Testing the design and operating effectiveness of key controls over the accurate recording of the purchase and sale of investments, including IT General Controls on the Banking Group's investment trading systems;
	• Testing of key controls relevant to:
	    o data used as input for valuation including transactional data captured at asset purchase;
	    o the valuation model, including ongoing monitoring/validation, model governance and mathematical accuracy;
	• We assessed the appropriateness of the accounting policies applied by the Banking Group, including those relevant to the fair value of financial assets against the requirements of the accounting standards;
	• For a sample of financial assets, our valuation specialists tested the year-end valuations using independent publicly available information; and
	• We assessed the disclosures in the financial statements against the requirements of NZ IFRS 9 Financial Instruments.

Other information

The Directors, on behalf of the Banking Group, are responsible for the other information included in the entity's Disclosure Statement. Other information includes the Directors Statement. Our opinion on the consolidated disclosure statement does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated disclosure statement our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated disclosure statement or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

In accordance with the requirements of clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Banking Group, as far as appears from our examination of those records.

Responsibilities of Directors for the consolidated financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

The Directors, on behalf of the Banking Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with Clause 22 of the Order, NZIFRS and International Financial Reporting Standards;
- the preparation and fair presentation of supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 2, 4, 7, 9, 11 and 13 of the Order;
- implementing necessary internal control to enable the preparation of consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

Our objective is:

- to obtain reasonable assurance about whether the consolidated disclosure statement, including the financial statements prepared in accordance with Clause 22 of the Order, and supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 4, 7, 9, 11 and 13 of the Order as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 ISA's (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 this consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor’s report.

Review conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, disclosed in note 32 to the disclosure statement, is not, in all material respects disclosed in accordance with Schedule 9 of the Order.

We have reviewed the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, as disclosed in note 32 of the disclosure statement for the year ended 31 December 2021. The supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

A review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (‘NZ SRE 2410’) is a limited assurance engagement. Our responsibilities under that standard are further described in the Auditor’s Responsibilities for the Review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements section of our report.

As the auditor of Citibank N.A., New Zealand Branch and Associated Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Responsibilities of Directors for the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

The directors are responsible for the preparation of supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is required to be disclosed under Schedule 9 of the Order and prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and described in note 32 to the disclosure statement.

Auditor’s responsibilities for the review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Our responsibility is to express a conclusion on the supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements based on our review. We conducted our review in accordance with NZ SRE 2410 issued by the New Zealand External Reporting Board. As the auditor of Citibank N.A., New Zealand Branch and Associated Banking Group, NZ SRE 2410 requires that we plan and perform the review to obtain limited assurance about whether the supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements is, in all material respects disclosed in accordance with Schedule 9 of the Order.

A review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements 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 ISA's (NZ). Accordingly, we do not express an audit opinion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements disclosures.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our work, this independent auditor's report, or any of the opinions or conclusions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Kim Lawry.

For and on behalf of

KPMG

KPMG
Sydney

28 March 2022