Annual Report

For the year ended 31 March 2025

nbs.co.nz

NBS is not a registered bank.

NBS
Banking for life

Contents

The 163rd Annual Report of the

Nelson Building Society

Directory

Independent Directors	P A Bell (Chairman) A L Fox G L Wilson G W Watt G M Bascand J Marslin
Chief Executive Officer	G Dellabarca
Secretary	D W Toon
Solicitor	Buddle Findlay
Banker	Westpac
Auditor	Deloitte Limited
Head Office	111 Trafalgar Street PO Box 62, Nelson 7040

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Nelson Building Society will be held at the Nelson Building Society, 111 Trafalgar Street, Nelson on 30 July 2025 at 5pm.

Ordinary Business

1. To receive the Annual Financial Statements and the report of the Auditors, together with the Directors' report
2. To appoint the Auditors for the ensuing year
3. Directors retirement and appointment
4. General Business

Gina Dellabarca
Chief Executive Officer

**Tēnā koutou katoa,
Welcome to our Annual Report
for the year ended 31 March 2025.**

NBS Chief Executive, Gina Dellabarca, and Board Chair Paul Bell.

Chair and Chief Executive Report

This year has been one of focus and momentum for NBS. As the financial and regulatory environment continued to evolve, we've navigated significant change – both within our organisation and across the sector – and we've emerged stronger, more resilient and better positioned to support our clients and communities well into the future.

With over 162 years of service to our clients, NBS has never been just about financial services. It's about people, relationships and place. From the very beginning, our purpose has been to support our clients and give back to the communities we're part of. Our values – *Trust, Respect, Community* and *Integrity* – continue to guide us in everything we do. We were built by the people, for the people. That's what makes NBS special.

Over the past 12 months, we've helped many people into their first homes, supported local businesses with fair and transparent lending and partnered with schools, charities and community groups to reinvest in the regions we serve. As cost-of-living pressures intensified, we responded not just with financial products, but with compassion and flexibility. These are the moments when our values are tested and when they matter most.

Financial performance

We're proud to report a net profit before tax of $3.1 million for the 2024-25 year. Gross revenue increased to $78.9 million, up from $73.5 million in the previous year, with net revenue rising to $33.8 million.

Our loan book saw a modest decline to $802.9 million, from $829.5 million the year prior, reflecting national trends and a planned reduction in our consumer lending portfolio. Residential and commercial lending remained steady, while deposits totalled $1.013 billion and total assets held at $1.119 billion. We continue to grow our client base, now numbering over 21,400 across personal, business and community banking.

These results aren't just numbers – they allow us to keep doing what counts: helping clients, backing communities and building long-term resilience.

Guided by our three pillars

Our work this year was shaped by three guiding principles: *Doing What's Right*, *Back to Black* and *Fit for the Future*. These priorities grounded us in the present while keeping us focused on the horizon.

Doing What's Right is about more than complying with legislation like the Conduct of Financial Institutions (CoFI) – it's about living our values and consistently putting clients first. This year, that meant strengthening transparency and accountability across the business. During the year, we delivered organisation-wide training on conduct and care, reviewed key internal processes and secured our CoFI licence – a significant milestone that reinforces our ongoing commitment to strong conduct and client care. NBS is a climate-reporting entity under the *Financial Markets Conduct Act 2013*. Our climate-related disclosures, prepared in line with the Aotearoa New Zealand Climate Standards, are available alongside this annual report at nbs.co.nz. We continued to advance our climate change response during the year, recognising the long-term risks and opportunities it presents. We remain committed to reducing our carbon footprint and contributing to a more sustainable future for our clients and the communities we serve.

Back to Black became our internal rallying call for financial discipline. We focused on fundamentals – managing costs, prioritising investment and staying true to our mission. That focus paid off. Our financial position strengthened over the year, enabling a result we can be proud of.

Fit for the Future is about ensuring NBS continues to thrive for generations. We've strengthened systems and processes, invested in key infrastructure and are continuing to make improvements in our information management. With NBS debit cards now widely in use, we're making everyday banking simpler while maintaining the personal service our clients trust.

At year-end, we launched our new five-year strategic plan – an evolution beyond the three pillars that have guided us. This refreshed strategy focuses on delivering more value to our members, deepening community connections and building operational resilience. It sets clear priorities around sustainable growth, innovation in services and technology and becoming an even stronger, more agile organisation ready to serve our communities. While our core values remain the foundation, this framework positions NBS to lead with purpose, care and responsibility.

Strengthening the core

We've made strong progress strengthening our regulatory and operational foundations. Alongside our work under CoFI and CCCFA, we rolled out improved training, lifted performance across several branches and refreshed key governance practices. We are in the final stages of a remediation programme, addressing some of our errors in compliance disclosure requirements under the CCCFA and interest overcharges we discovered on a consumer loan product to ensure affected clients were treated fairly.

We're not standing still – we are continuing to strengthen our existing foundational and new regulatory and legislative obligations and steadily upgrading our technology to make life easier for our clients and teams alike. This is about more than technology – it's about making things simpler, faster and more intuitive, without losing the personal touch that defines NBS.

Leadership – honouring the past, energising the future

This year has brought a fresh wave of leadership and energy to NBS, as we welcome new perspectives to carry our kaupapa forward with confidence and care. We take this opportunity to also thank the past senior leaders and Board members who moved on this year. Their collective contribution has helped shape the organisation we are today and set a solid platform for the future.

Giving back – still the heart of NBS

Our commitment to community remains at the centre of who we are. This year, we provided $1.198 million in sponsorship and community support, backing over 300 organisations across our regions. While slightly down from last year's peak, this reflects a more focused, high-impact approach – ensuring our support goes where it counts most.

One highlight was our *Hands Up for Hospice* campaign. Branches rallied together, hosting raffles, morning teas and sharing stories. What made it special was how many clients joined in. From Motueka to Ashburton, it was a collective expression of care and generosity.

We also rolled up our sleeves – like during the *Rabbit Island Beach Clean-Up*, where staff gave their time to protect a much-loved local space. Every NBS team member receives a paid Community Day to volunteer for a cause that matters to them. Whether it's helping at events, cleaning up, or supporting local charities – it's more than a benefit. It's who we are.

Leading with integrity

In a year marked by cautious consumer confidence and increasing regulation, NBS stood firm in its values. Staff engagement remains high, with 90% of our people proud to work for NBS and 78% saying they would recommend it as a great place to work.

These results reflect more than satisfaction – they show trust, pride and a strong sense of shared purpose. High employee engagement tells us we're creating a workplace where people feel supported, connected and proud to contribute. And, in turn, we know this carries through to how we show up for our clients every day.

Looking ahead

We remain focused on building a sustainable, resilient future for NBS and the communities we serve. Our online banking platform upgrade has enhanced the overall client experience and our ESG (Environmental, Social and Governance) approach continues to grow – with climate risk becoming more integrated into our decisions.

Our strategic direction is clear. We're not aiming to grow for growth's sake – we want to focus on sustainable growth, to reach more clients, support more communities and make a greater difference in the lives of the people and places we care about.

Finally, a heartfelt thank you to our clients. Whether you've been with us for generations or just joined this year – thank you for placing your trust in NBS. Your loyalty, feedback and continued support inspire us to do better, be better and stay true to who we are.

G Dellabarca
Chief Executive

P A Bell
Board Chair

Westport branch team pictured with members of KNECT group, planting alongside The Kawatiri Coastal Trail.

Community Sponsorship

Thanks to our clients, we've invested over **$7 million into our communities over the last 10 years**.

Brook Waimārama Sanctuary

- Abbeyfield Golden Bay
- Active Little Learners
- Age Concern Nelson Tasman
- Allenton Rugby Football Club
- An Adventure in Art
- Ashburton Bowling Club
- Ashburton College Alumni Trust
- Ashburton Indian Multicultural Society
- Ashburton Market Day and Santa Parade
- Ashburton Multi Cultural Bite
- Ashburton Netherby School
- Ashburton Operatic Society
- Ashburton Plains Rotary Club
- Ashburton Society of Arts Exhibition
- Athletic College Old Boys Cricket Club
- Autism NZ
- Bainham Rural Woman
- Basketball Mid Canterbury
- Be Seen Be Safe Project
- Bike Hub Nelson
- Blaketown Bowling Club
- Bowls Buller
- Bowls Murchison
- Bowls Nelson
- Bowls Tāhunanui
- Brain Injury Trust
- Breast Cancer and Gynaecological Trust
- Breast Cancer Trust
- Brook Waimārama Sanctuary
- Buller Boardriders - Cape Classic
- Buller District Council
- Buller Rugby Union
- Buller Sports Alliance
- Buller Volleyball Association
- Buller Women's Triathlon
- Celtic Pipe Band
- Central Garden Club
- Citizens Advice Bureau
- Club Waimea
- Coastguard Nelson Tasman
- Collingwood Area School
- Collingwood Rugby Football Club
- Commotion - Youth Music Weekend
- Connecting Mid Canterbury Charitable Trust
- Croquet Nelson
- Cultural Conversations
- Digital Waitaha Charitable Trust
- East Takaka Hall
- Empowerment Trust
- Equine Inspired Charitable Trust
- Ex Coasters
- FC Nelson
- Festival of Golf
- Fifeshire Foundation
- FirstMate NZ
- Fossil Creek Farm
- Golden Bay Association Football Club
- Golden Bay Basketball
- Golden Bay Bridge Club
- Golden Bay Community Arts Council

Buller Sports Alliance

- Golden Bay Community Service Vehicle Trust
- Golden Bay Cricket
- Golden Bay Mountain Bike Club
- Golden Bay Netball Club
- Golden Bay Sports Awards
- Golden Bay Tennis
- Golden Bay Tinbum Triathlon
- Golden Bay Toy Library
- Great Kiwi Circus
- Greenacres Golf Club
- Greymouth District Council
- Greymouth Golf Club
- Greymouth Junior Football Club
- Greymouth Municipal Band
- Greymouth Squash Club
- Habitat for Humanity
- Hakatere Ceramics Exhibition
- Hampden Street School


KNECT (Kawatiri Nature Environment and Communities Trust)

- Helping Families
- Hinds Bowling Club
- Hope Indoor Bowling Club
- Hospice Dancing for a Cause Trust
- Huia Rugby Football Club
- Inclusive Sports Trust
- Inspiring Youth Theatre Charitable Trust
- Junior Athletics Ashburton
- Kai Rescue
- Karamea Bowling Club
- Karamea Historical Society
- Karoro Bowling Club
- Kawatiri Badminton Club
- Kawatiri Coastal Trail (Buller Marathon)
- Kawatiri Group Riding for the Disabled
- Kawatiri Māori Women's Welfare League
- Kawatiri Rowing Club
- Kids Love Music
- KNECT
- Kotare Netball
- Ladder 61 Greymouth
- Life Education Trust
- Life Education West Coast Trust
- Magenta Creative Space
- Makeshift Spaces
- Makura Croquet Club
- Māori Business Network
- Māpua and Districts Association
- Māpua Bowling Club
- Māpua Community Library
- Māpua Districts Business Association
- Māpua Easter Fair
- Māpua Kai Collective
- Māpua Public Hall Society
- Marist Rugby Football Club
- Marsden Valley Trapping
- Mid Canterbury Bowling Greens
- Mid Canterbury Choir
- Mid Canterbury Hockey
- Mid Canterbury Netball
- Mid Canterbury Polo Club
- Ministry of Inspiration
- Motueka Arts Council
- Motueka Bowling Club
- Motueka Brass Band
- Motueka Buckets
- Motueka Contract Bridge Club
- Motueka Golf Club
- Motueka High School
- Motueka Kai Festival
- Motueka Netball Centre
- Motueka South School
- Motueka Squash Club
- Motueka Swim Club
- Motueka Waka Ama
- Moutere Hills Community Centre
- Multicultural Nelson Tasman
- Murchison A & P Show
- Murchison Area School
- Murchison Area School - Kayak Team
- Murchison Axemen
- Murchison Country Music Club
- Murchison Golf Club
- Murchison Netball Club
- Murchison Rugby Club


Nelson City Brass Band


Nayland College

- Murchison Sport and Rec Centre
- Nayland College
- NBS Dimes Women's Basketball
- NBS Netball Team (Golden Bay)
- NBS Tākaka Theatre
- NBS Volleyball Tournament
- Nelson Arts Festival Trust
- Nelson Badminton Association
- Nelson Basketball Association
- Nelson Bays Football
- Nelson Bays Squash
- Nelson Bays Tennis Association
- Nelson Bays U16 Rugby
- Nelson Bowling Club
- Nelson Bridge Club
- Nelson Centre of Musical Arts
- Nelson Chamber of Commerce
- Nelson City Brass Band
- Nelson Civic Choir
- Nelson College for Girls
- Nelson College Rugby Academy
- Nelson Cricket Association
- Nelson Environment Centre Kai Rescue
- Nelson Fringe Festival
- Nelson Giants
- Nelson Golf Club
- Nelson Harness Racing
- Nelson Hockey Association
- Nelson Indoor Bowls
- Nelson Lakes Gliding Club Inc
- Nelson Marlborough Brain Injury Trust
- Nelson Marlborough Rescue Helicopter Trust
- Nelson Morris Dancers
- Nelson Mountain Bike Club
- Nelson Musical Theatre
- Nelson Netball
- Nelson Opera in the Park
- Nelson RFC


Volunteer Nelson

- Nelson Rowing Club
- Nelson Santa Parade Trust
- Nelson Skate
- Nelson South Swimming Club
- Nelson Squash Club
- Nelson Suburbs
- Nelson Surf Life Saving Club
- Nelson Symphony Orchestra
- Nelson Target Shooting
- Nelson Tasman Hospice
- Nelson City Underwater Hockey
- Nelson Veterans Tennis Club
- Nelson Vintage Car Club
- Ngawhatu Bowling Club
- No. 23 (Nelson) Squadron, Air Training Corps
- Nelson Tasman Chamber of Commerce
- NZ Choral Federation Nelson Marlborough
- Old Boys RFC
- Our Town Motueka
- Pinnacle House
- Project De-Vine Environmental Trust
- Pulse Buller Civic and Sporting Awards
- Rangers Rugby Club
- Rangimarie Croquet Club
- Richmond Bowling Club
- Richmond Community Patrol
- Richmond Contract Bridge Club
- Richmond Tennis Club
- Richmond Unlimited | Richmond Santa Parade
- Riding for the Disabled (Golden Bay)
- Riwaka Rugby Football Club
- Rotary Club of Nelson
- RSA Darts Tournament
- RSA Fishing Comp
- Safeguarding Children
- Safer Ashburton Charitable Trust
- Search and Rescue Nelson
- Southern Netball Club
- Special Olympics Nelson Trust
- Sport Tasman
- Stoke Bowling Club
- Stoke Community Toy Library
- Stoke Indoor Bowling Club
- Stoke Nayland Cricket Club Inc
- Stoke Netball Club
- Stoke RFC
- SuperBrain ProductioNZ
- SwimMagic
- Swimming Nelson Marlborough
- Tahuna FC
- Tāhunanui Volleyball Club
- Tākaka Dog Trial Club
- Tākaka Drama Society
- Tākaka Golf Club Incorporated
- Tākaka Ladies Bowls
- Tākaka Rugby Football Club Incorporated
- Tākaka Squash Club
- Tasman Art Focus Group
- Tasman Bay Blues Club
- Tasman Bay Christian School
- Tasman Bay Guardians
- Tasman Bay Penguins Trust
- Tasman Environment Trust
- Tasman Environmental Trust
- Tasman Golf Club
- Tasman Mako
- Tasman Rural Women
- Tasman School
- Tasman Swim Club
- Tasman Wheelers
- Te Mamaku Native Corridor Planting Project
- Teapot Valley Summer School Trust
- The Big Bake Up
- The Food Factory
- The Māpua Kai Collective
- The Moutere Community Centre
- The Moutere Kai Collective
- The Originals
- The Professional Theatre Company Nelson
- The Suter Art Gallery
- The West Coast Sports Awards Trust
- Theatre Royal Nelson
- Tinwald Cycling Club
- Tinwald Golf Club
- Tinwald Rugby Club
- Top of the South Community Foundation
- Top of the South Film Festival
- Top of The South Filmmakers
- Top of the South Short Story Awards
- Totaradale Golf Club
- Ulysses NZ Nelson
- Uniquely Nelson
- United Bowling Club
- Valley Stags Rugby
- Victory Boxing
- Victory Community Centre
- Volleyball Tasman
- Volleyball West Coast
- Volunteer Nelson
- Waahi Taakaro Golf Club
- Waimea College
- Waimea Combined Rugby
- Waimea Old Boys RFC
- Waimea Soroptomists
- Waimea Squash Club
- Wanderers Community Sports Club
- Wanderers RFC
- West Coast Netball
- West Coast Rugby Football League
- West Coast Rugby League Under 14's
- West Coast Speedway Association
- Westport Bowling Club
- Westport Contract Bridge Club
- Westport Returned Soldiers Bowling
- Westport RFC
- Westside Blitz Weekend
- Whakatū Girls Rugby Trust
- Whenua Iti Trust

Westport Bowling Club


Motueka Waka Ama


The Big Give – Fifeshire Foundation


Te Mamaku Native Corridor Planting Project

Nelson Tasman Hospice


Tasman Mako


Inclusive Sports Trust


Variety Theatre Ashburton

Financial Statements

Deloitte.

Independent Auditor's Report

To the Members of Nelson Building Society

Opinion

We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2025, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements, on pages 16 to 55, present fairly, in all material respects, the financial position of the Society as at 31 March 2025, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

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

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

We are independent of the Society 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)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other non-assurance assignments for the Society in the area of taxation compliance, and other assurance services in respect of trustee reporting and GHG disclosures within the Climate Statement. These services have not impaired our independence as auditor of the Society. In addition to this, partners and employees of our firm deal with the Society on normal terms within the ordinary course of trading activities of the business of the Society. The firm has no other relationship with, or interest in, the Society.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit loss (Refer to Notes 6 and 7) The Expected Credit Loss (ECL) impairment model under NZ IFRS 9 takes into account forward looking information reflecting potential future economic events. This has resulted in the Society developing models which are reliant on large volumes of data, as well as significant estimates around probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). We consider the risk around the determination of expected credit losses to be a key audit matter because: • Loans and Receivables, including mortgages, commercial, personal, consumer loans and overdrafts, are financially significant account balances; • The model used to calculate ECLs are inherently complex and judgement is applied in determining the correct form of the model to be applied; • Judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models and requires us to challenge the appropriateness of management's assumptions in the calculation of the provision; • There are a number of key assumptions made by the Society as inputs into the models (e.g.: statistical and economic forecasts); and • Specific provisions are based on the application of management judgement with the assessment of expected future cash flows being inherently uncertain and judgemental as they are principally derived from estimating the timing and proceeds from the future sale of property securing loans.	We performed the following audit procedures to test management's estimate: • Evaluated the systems, processes and controls in place over the critical data elements used in the ECL models; • Assessed the Society's material accounting policies and ECL methodology against NZ IFRS 9; • Engaged our ECL specialist to perform an independent review of the model for compliance with NZ IFRS 9; • Evaluated the macroeconomic forecasts used by management by benchmarking against other externally available forecasts; • Assessed management's key assumption used in the model; • Evaluated the probability weightings allocated to the multiple economic scenarios by benchmarking against industry trends and considering the appropriateness of selected weightings; • On a sample basis, tested the exposures for any objective evidence of impairment and assessed the accuracy and completeness of the staging used within the model; • Challenged management on the appropriateness of the overlays applied including the scope of their application and test the completeness and accuracy of the calculation; • Assessed management's judgement around specific provisioning and whether this is in accordance with their ECL policy; and • Evaluated the disclosures made in relation to provision for expected credit losses against the requirements of NZ IFRS.

Other information

The directors are responsible on behalf of the Society for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report, and the Climate Statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Deloitte.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Nicole Dring, Partner
for Deloitte Limited
Christchurch, New Zealand
27 June 2025

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2025 included on the Society's website. The Directors are responsible for the maintenance and integrity of the Society's website. We have not been engaged to report on the integrity of the Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2025 to confirm the information included in the audited financial statements presented on this website.

Income Statement and Statement of Comprehensive Income

For the year ended 31 March 2025

	Note	Year to 31/03/2025	Year to 31/03/2024
		$	$
Income			
Interest income received from:			
Income from mortgages and personal loans		60,681,403	56,119,932
Income from consumer lending		3,160,354	4,674,839
Income from bank deposits, investments and debentures		15,021,793	12,680,669
Total interest income		**78,863,550**	**73,475,440**
Finance costs			
Interest on term and call deposits		(43,691,205)	(41,004,019)
Consumer lending commission		(1,351,105)	(2,345,919)
		(45,042,310)	**(43,349,938)**
Net interest income		**33,821,240**	**30,125,502**
Other income			
Bad debts recovered		12,904	35,421
Transaction and service fees		1,129,492	1,235,538
Other income		1,272,973	1,004,437
		2,415,369	**2,275,396**
Gross contribution from activities		**36,236,609**	**32,400,898**
Overhead expenses			
Auditor's remuneration	1	(490,286)	(250,926)
Administration expenses	2	(14,251,520)	(20,049,511)
Amortisation and depreciation	8, 10	(601,949)	(694,977)
Right-of-use asset amortisation and interest	9	(489,856)	(532,651)
Directors' fees	24	(424,580)	(446,554)
Personnel cost[1]		(14,709,032)	(12,236,109)
Provision for credit impairment	6	(968,282)	(3,849,431)
Sponsorship		(1,197,549)	(1,446,549)
Total expenses		**(33,133,054)**	**(39,506,708)**
Surplus/(deficit) before taxation		**3,103,555**	**(7,105,810)**
Income tax (expense) recovery	3	(883,953)	1,334,531
Net surplus/(deficit)		**2,219,602**	**(5,771,279)**
Statement of Comprehensive Income **For the year ended 31 March 2025**			
Surplus/(deficit) for the year		**2,219,602**	**(5,771,279)**
Items that will not be reclassified subsequently to the *Income Statement*			
Movement on revaluation of property – net of income tax		-	(40,793)
Other comprehensive income for the year – net of income tax		**-**	**(40,793)**
Total comprehensive income for the year		**2,219,602**	**(5,812,072)**

[1] Personnel costs includes $846,335 related to remediation project costs (31 March 2024: $1,224,609).

The Notes to the Financial Statements (pages 21 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2025

	Note	Share capital	Revaluation reserve	Retained earnings	Total
		$	$	$	$
				31/03/2025	
Balance at beginning of year		**49,621,000**	**1,019,057**	**50,835,592**	**101,475,649**
Net surplus and other comprehensive income		-	-	2,219,602	2,219,602
Dividends paid	14	-	-	(3,116,518)	(3,116,518)
Balance at end of year		**49,621,000**	**1,019,057**	**49,938,676**	**100,578,733**
				31/03/2024	
Balance at beginning of year		**50,121,000**	**1,059,850**	**59,351,484**	**110,532,334**
Net deficit and other comprehensive income		-	(40,793)	(5,771,279)	(5,812,072)
Shares net movement	14	(500,000)	-	-	(500,000)
Dividends paid	14	-	-	(2,744,613)	(2,744,613)
Balance at end of year		**49,621,000**	**1,019,057**	**50,835,592**	**101,475,649**

These financial statements were authorised for issue on and behalf of the board of directors on 27 June 2025.

G Dellabarca
Chief Executive

P A Bell
Chairman of Directors

G Wilson
Deputy Chair

The Notes to the Financial Statements (pages 21 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2025

	Note	31/03/2025	31/03/2024
		$	$
Assets			
Cash and cash equivalents	4	239,689,869	304,019,102
Term deposits		74,622,570	-
Trade receivables		203,206	87,701
Prepayments		1,830,972	2,012,933
Current tax receivables	3	1,234,115	1,686,170
Deferred taxation	3	3,162,549	3,284,447
Loans and receivables			
Mortgages		773,276,744	775,300,259
Personal loans		533,333	598,420
Consumer lending		23,104,059	44,338,267
Overdrafts		6,003,599	9,235,597
Less provision for credit impairment	6	(10,279,912)	(10,043,430)
	5	**792,637,823**	**819,429,113**
Property			
Property, plant and equipment	8	4,471,770	4,794,094
Right-of-use assets	9	1,598,549	2,027,965
Intangible assets			
Software	10	-	14,938
Total assets		**1,119,451,423**	**1,137,356,463**
Liabilities			
Employee entitlements		1,088,690	1,292,870
Trade and other payables	11	1,920,953	3,928,016
Lease liabilities	9	1,818,509	2,214,643
Borrowings	12	1,012,704,095	1,022,510,182
Other provisions	13	1,340,443	5,935,103
Total liabilities		**1,018,872,690**	**1,035,880,814**
Net assets		**100,578,733**	**101,475,649**
Equity			
Share capital	14	49,621,000	49,621,000
Retained earnings		49,938,676	50,835,592
Revaluation reserve		1,019,057	1,019,057
Total equity		**100,578,733**	**101,475,649**

The Notes to the Financial Statements (pages 21 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2025

	Note	31/03/2025	31/03/2024
		$	$
Cash flows from operating activities			
Interest received		77,538,177	72,509,596
Other income		2,415,369	2,275,396
Interest paid		(45,815,474)	(38,869,063)
Operating expenses		(38,542,896)	(25,752,783)
Income taxes paid	3	(310,000)	(2,114,920)
Net cash flows (used by) from operating activities before changes in operating assets and liabilities		**(4,714,824)**	**8,048,226**
Net change from operating assets and liabilities			
Change in loans and receivables		26,695,957	71,662,336
Change in borrowings		(9,032,923)	(4,866,653)
Net cash flows provided by operating activities		**12,948,210**	**74,843,909**
Cash flows from investing activities			
Change in term deposits		(73,438,346)	72,446,005
Sale of property, plant and equipment		39,782	20,618
Purchase of property, plant and equipment	8	(305,787)	(370,078)
Net cash flows (used in) provided by investing activities		**(73,704,351)**	**72,096,545**
Cash flows from financing activities			
Shares net movement	14	-	(500,000)
Dividends paid	14	(3,116,518)	(2,744,613)
Repayment of lease liabilities		(456,574)	(482,393)
Net cash flows used in financing activities		**(3,573,092)**	**(3,727,006)**
Net change in cash		(64,329,233)	143,213,448
Opening cash and cash equivalents		304,019,102	160,805,654
Closing cash and cash equivalents	4	**239,689,869**	**304,019,102**

The Notes to the Financial Statements (pages 21 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2025

	31/03/2025	31/03/2024
	$	$
Reconciliation of net surplus/(deficit) to cash flows from operating activities		
Net surplus/(deficit)	2,219,602	(5,771,279)
Deferred taxation	121,898	(977,939)
Amortisation and depreciation	601,949	694,977
Loss on disposal of assets	1,318	7,730
Right-of-use asset amortisation and interest	489,856	532,651
Change in provision for credit impairment	236,482	4,484,853
Change in accrued interest on borrowings	(773,164)	4,480,875
Change in accrued interest on term deposits	(1,184,224)	(734,267)
Change in deferred establishment fee revenue	(141,149)	(231,577)
Change in other provisions	(4,594,660)	5,128,897
	(5,241,694)	**13,386,200**
Movement in working capital		
Change in trade and other payables	(2,007,063)	2,712,896
Change in current tax receivables	452,055	(2,471,512)
Change in trade receivables	(115,505)	(3,188)
Change in prepayments	181,961	(353,486)
Change in employee entitlements	(204,180)	548,595
Change in loans and receivables	26,695,957	71,662,336
Change in borrowings	(9,032,923)	(4,866,653)
	15,970,302	67,228,988
Net cash flows from operating activities	**12,948,210**	**74,843,909**

The Notes to the Financial Statements (pages 21 to 55) form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2025

Statement of compliance

Nelson Building Society (NBS) was established in 1862 and is a profit-oriented mutual entity incorporated in New Zealand under the *Building Societies Act 1965*. NBS is a financial institution which provides retail banking type services to the community. Banking services include personal and commercial loans, investments, mortgages and electronic banking.

NBS' financial statements have been prepared in accordance with *Generally Accepted Accounting Practice ('GAAP')* in New Zealand. They comply with New Zealand equivalents to *IFRS Accounting Standards ('NZ IFRS')* and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements also comply with *IFRS Accounting Standards ('IFRS')* as issued by the *International Accounting Standards Board ('IASB').*

NBS is an FMC Reporting Entity as defined in the *Financial Markets Conduct Act 2013.*

These financial statements were authorised by the Board of directors on 27 June 2025.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets such as freehold land and buildings. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that NBS has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Presentation currency

The amounts contained in the financial statements are presented in New Zealand dollars (NZD). New Zealand dollars is the functional currency of NBS.

Principal activities

NBS' principal activities during the year were:

- receiving deposits for investments and
- providing personal banking services including current accounts, personal loans, mortgages, consumer lending and debit card facilities

Particular accounting policies

a. Material judgements, accounting estimates and assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect the application of accounting policies and the carrying values of assets and liabilities that are not readily available from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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.

Significant judgements, estimates and assumptions made by management in the application of *NZ IFRS* and in the preparation of these financial statements are outlined as follows:

Impairment analysis

For the year ended 31 March 2025 the significant accounting estimates and judgements of *NZ IFRS 9* used by NBS include the measurement of expected credit losses.

The measurement of the expected credit loss allowance is based on the standard's expected credit loss (ECL). This requires the use of complex models and significant assumptions about economic conditions and credit behaviour (eg, the likelihood of clients defaulting and the resulting losses).

The challenges facing the economy have resulted in continued estimation uncertainty in the determination of provision for expected credit. Given the inherent unpredictability associated with the economy, inflation, global supply chain concerns and geo-political factors, the actual credit loss could be significantly different to the estimations disclosed.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- determining criteria for significant increase in credit risk
- choosing appropriate models and assumptions for the measurement of expected credit losses
- establishing the number and relative weightings of forward looking scenarios for each type of product or market and the associated expected credit losses
- establishing groups of similar financial assets for the purpose of measuring expected credit losses
- estimating the fair value of underlying collateral

Refer to note 6 for the significant assumptions in the current year.

b. Changes in accounting policies

All mandatory standards, amendments and interpretations have been adopted in the current year.

There have been no changes in accounting policies.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to NBS, and that revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

- **Interest income**

  Interest income for all instruments measured at amortised cost is recognised in the *Income Statement* as it accrues using the effective interest method.

  The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

  For financial assets other than those that become credit impaired, 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 where appropriate, a shorter period, to the net carrying amount of the financial asset or liability initially recognised. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). When calculating the effective interest rate, cash flows are estimated based upon contractual terms and behavioural aspects of the financial instrument (eg, prepayment options), but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

- **Loan origination fees**

  All fees related to the successful origination or settlement of a loan (together with the related direct costs) are deferred and are recognised as an adjustment to the effective interest rate on the loan.

- **Fee and commission income**

  Fees and commission income from contracts with clients is measured based on the consideration specified in the contracts with the client. NBS recognises revenue when it transfers control over a service to a client.

  NBS provides banking services to retail and corporate clients including account management, provision of overdraft facilities, foreign exchange and servicing fees. Fees for ongoing account management are charged to the client's account on a monthly basis. Transaction based fees for interchange foreign currency transactions and overdrafts are charged to the client's account when the exchange takes place. Service fees are charged on a monthly basis and are based on fixed and variable rates.

  Revenue from account servicing and servicing fees is recognised over time as the services are provided to the clients. Revenue related to transactions is recognised at the point in time when the transaction takes place.

d. Expense recognition

- **Interest expense**

  Interest expense, including premiums or discounts and associated issue expenses incurred on the issue of securities, is recognised in the *Income Statement* for all financial liabilities measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 31 March 2025

- **Losses on loans and receivables carried at amortised cost**

  The charge recognised in the *Income Statement* for losses on loans and receivables carried at amortised cost reflects the provisions for individually assessed and collectively assessed loans, write offs and recoveries of losses previously written off. Further detail is included in notes 6 and 7 of the *Financial Statements*.

- **Commissions and other fees**

  External commissions and other costs paid to acquire mortgage and consumer loans through brokers are deferred and are recognised as an adjustment to the effective interest rate. All other fees and commissions are recognised in the *Income Statement* over the period which the related service is consumed.

e. Income tax

Income tax expense on the profit for the year comprises current tax and movements in deferred tax balances. Current tax is the expected tax payable or recoverable on the taxable profit or tax loss for the period, using tax rates that have been enacted or substantively enacted as at balance date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. NBS recognises a deferred tax asset for the carry forward of unused tax losses and credits to the extent that it is probably future taxable profit will be available against which the unused tax losses or credits can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or of assets and liabilities that is not a business combination, that affect neither accounting nor taxable profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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 that have been enacted or substantively enacted as at balance date that are expected to apply when the liability is settled or the asset is realised.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised as an expense or income in the *Income Statement*, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised directly in other comprehensive income or directly in equity.

f. Goods and services tax

Revenue, expense, liabilities and assets are recognised gross of the amount of goods and services tax ('GST'). GST is recoverable in direct proportion to the NBS' commercial clients on all expenditure, pursuant to *Section 20F* of the *Goods and Services Tax Act 1985*.

g. Assets

Financial assets

- **Classification of financial assets**

  Management determines the classification of its financial assets at initial recognition. The classification depends on NBS' business model for managing the financial assets and the contractual terms of the cash flows. NBS reclassifies financial assets when and only when its business model for managing those changes.

  NBS' financial assets are measured in their entirety at amortised cost as they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

- **Recognition and measurement of financial assets**

  Financial assets are recognised when NBS becomes party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on trade-date or the date on which NBS commits to purchase or sell the asset.

  Financial instruments are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the instrument.

  Subsequent to initial recognition NBS measures financial assets at amortised cost, using the effective interest rate method less expected credit losses.

- **Derecognition of financial assets**

  NBS derecognises a financial asset from its *Statement of Financial Position* when the contractual rights to the cash flows from the financial asset expire, or NBS has transferred all or substantially all of the risks and rewards of ownership of the financial asset.

If the terms of a financial asset are modified, then NBS evaluates whether the cash flows of the modified asset are substantially different. If they are, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original final asset is derecognised and a new financial asset is recognised.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the modification of a financial asset does not result in derecognition, then NBS first recalculates the gross carrying amount of the financial asset using the effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit.

For financial assets measured at amortised cost, a gain or loss is recognised in profit and loss when the financial asset is derecognised or impaired.

Any gain or loss arising from derecognition is recognised directly in profit or loss and presented in other gains (losses).

Loans and receivables

Loans and receivables cover all forms of lending to clients such as mortgages, consumer loans and personal loans. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowance where applicable.

Subsequent to initial recognition, loans and receivables are recorded at amortised cost using the effective interest method less impairment.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost, using the effective interest rate method, less impairment where applicable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in branches, cash on call and cash equivalents. Cash equivalents are short term (generally with an original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk in changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Money market instruments (short term deposits) are recorded at amortised cost.

Term deposits

Term deposits are recorded at amortised cost using the effect interest method.

Impairment

At the end of each reporting period, NBS performs an impairment assessment based on expected credit loss on financial assets measured at amortised cost.

Measuring ECL - explanation of inputs, assumptions and estimation techniques

The expected credit loss (ECL) is recognised on either a 12 month or lifetime basis. Lifetime basis are used only where a significant increase in credit risk has occurred since initial recognition or a financial instrument is considered to be credit impaired. Expected credit losses are the discounted product of the weighted average of probability of default (PD), loss given default (LGD) and exposure at default (EAD) where:

- PD represents the consideration of forward-looking information on the likelihood of a borrower defaulting on its financial obligation in the future
- LGD represents an estimate of loss arising after consideration of forward-looking information on NBS' expectation. It is expressed as a percentage of EAD
- EAD is based on the total amount of risk exposure on and off the balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of product

Notes to the Financial Statements

For the year ended 31 March 2025

NBS applies a four-stage model in accordance with *NZ IFRS 9: Financial Instruments*, to measure expected credit losses associated with its debt instruments measured at amortised cost. The four-stage model is as follows:

Stage one	**Not deteriorated**	ECL is based on the 12 month expected credit losses that may occur in the 12 months after reporting date. The expectation is estimated by using a combination of historical losses and forward-looking base case economic scenarios to assess the entire loan book. Stage one includes financial assets belonging to clients with a low risk of default that have a strong capacity to meet contractual cash flows (interest and/or principal repayments).
Stage two	**Deteriorated: accounts 30 days or more in arrears or increased risk of default**	Lifetime ECL is the result from possible default events over the expected life of a financial instrument that are objective and measurable. When such an event occurs the financial asset is moved from stage one to stage two. Increase in credit risk is presumed if the loans and advances are 30 days or more past due in making contractual repayment, or when there is reasonable and/or supportable information that there is an increase in the risk of default occurring on the asset as at the reporting date.
Stage three	**Credit impairments**	When objective evidence of credit impairments emerges with one or more events having a detrimental impact on future cash flows the financial asset is moved to stage three. NBS considers observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets. Loans and advances are deemed credit impaired when they are 90 days or more past due in making contractual repayments and/or when there is objective evidence of the events that indicate the borrower is in significant financial difficulty and/or NBS has exhausted all options to rehabilitate a debt and expects to incur a loss. The loan to value ratio (LVR) is monitored to evaluate whether sale proceeds from the sale of the security would satisfy the value of the outstanding financial asset. Where appropriate impaired assets are specifically provided for on an individual basis.
Stage four	**Loss**	Financial assets are written off when NBS has exhausted all of its powers in respect of the security held and there are no further avenues to recover the amounts outstanding to NBS.

Across the four-stage model, NBS uses a probability weighted scenario approach to determine the final expected credit loss provision. The three scenarios are high, mid and low case with each scenario incorporating different economic assumptions. A probability is applied to each scenario to determine the final provision. NBS' board of directors review and approve the probabilities weightings applied.

At the end of each reporting period, NBS assesses whether there has been a significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between that of the reporting date to that of the date of initial recognition.

NBS assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type (mortgage, consumer and/or personal loans) credit risk ratings, collateral and other relevant factors.

NBS considers its historical loss experience and adjusts this for current observable data. In addition, NBS uses reasonable and supportable forecast of future economic conditions including experienced judgement to estimate the amount of an expected credit loss. *NZ IFRS 9* introduces the use of macroeconomic factors which include, but are not limited to, unemployment, interest rates, inflation and expected movement in property prices. Consideration is also given to the current and forecast direction in economic cycles. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL.

The methodology and assumptions underlying the ECL calculation are reviewed annually.

If in a subsequent period, the credit quality improves and reverses any previously assessed increase in credit risk since origination, the provision for expected credit loss reverts from a full lifetime ECL to 12 months ECL.

- **Nature and effect of modifications on the measurement of expected credit losses**

NBS sometimes renegotiates or otherwise modifies contracts with counterparties. The revised terms may alter the timing of the contractual cash flow, but do not result in de-recognition of the original loan, unless the revision terms are substantially different to those of the original loan. In these cases, NBS assesses whether a significant increase in credit risk has occurred, by comparing the risk of default occurring under the revised terms as at the reporting period with the initial recognition under the original terms.

h. Property, plant and equipment

Land and buildings are initially recognised at cost and are subsequently measured at fair value by an independent registered valuer. Valuations of land and buildings are carried out at least once every three years. Land and buildings are carried at the revalued amount less accumulated depreciation and accumulated impairment losses. Other items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Cost of an asset is the fair value of the consideration provided plus incidental costs directly attributable to the acquisition of the asset and includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the *Income Statement* as an expense as incurred. Impairment losses are included in the *Statement of Comprehensive Income in Movement in Revaluation of Property Net of Income Tax* to the extent that there is a credit balance held in the revaluation reserve in respect of that land and buildings. Any impairment losses exceeding the balance held in the revaluation reserve relating to a previous revaluation of that asset is recognised in the *Income Statement.*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the *Income Statement* in the period the item is derecognised.

Revaluation

Land and buildings are carried at the revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation of buildings and accumulated impairment losses.

Where the land and building is revalued, any revaluation surplus net of tax is credited in other comprehensive income and accumulated in the asset revaluation reserve included in equity unless it reverses a revaluation decrease of the same asset previously recognised in the profit and loss. Any revaluation deficit is recognised in the profit and loss unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to a particular asset being disposed is transferred to retained earnings.

Depreciation

Depreciation is provided in the *Financial Statements* on all property, plant and equipment other than land, on a basis which will write down the net cost or revalued amount of each item of property, plant and equipment over its expected useful life.

Depreciation rates are reviewed annually.

The following methods and rates have been applied to the major categories:

	Estimated life	**Method**
Buildings	60 years	Straight line
Computer equipment and hardware	Two-five years	Straight line
Other assets, including motor vehicles, promotional items, signage, office equipment and office fitout and furniture	Two-seven years	Straight line

i. Intangible assets

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of three years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

j. Leases

NBS assesses whether a contract is or contains a lease, at inception of the contract. NBS recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases, defined as leases with a lease term of 12 months or less. For these leases, NBS recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments including in-substance fixed payments, less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the lessee under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the *Statement of Financial Position*. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

NBS remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate unless the lease payments change is due to a change in a variable interest rate, in which case a revised discount rate is used
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever NBS incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under *NZ IAS 37*. To the extent that the costs relate to a right of use asset, the costs are included in the related right of use asset.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that NBS expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the *Statement of Financial Position*.

NBS applies *NZ IAS 36* to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the *Property, Plant and Equipment Policy*. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other expenses' in the *Income Statement*.

As a practical expedient, *NZ IFRS 16* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. NBS has not used this practical expedient. For contracts containing a lease component and one or more additional lease or non-lease components, NBS allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

k. Liabilities

NBS classifies its financial liabilities at amortised cost.

Borrowings

Term and call borrowings are measured initially at fair value plus transaction costs. Subsequent to initial recognition term and call borrowings are measured at amortised cost and are recorded in the *Statement of Financial Position* inclusive of accrued interest. Interest payable on borrowings is recognised using the effective interest rate method.

Derecognition of financial liabilities

NBS derecognises a financial liability from its *Statement of Financial Position*, when it is extinguished.

Trade and other payables

Trade and other payables and accrued expenses are recognised when NBS becomes obliged to make future payments resulting from the purchase of goods and services. They are measured initially at fair value plus transaction costs. Subsequent to initial recognition trade and other payables are carried at amortised cost. These amounts are unsecured.

Employee entitlements - wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, are recognised in other provisions in respect of employees' services and are measured at the amounts expected to be paid when the liabilities are settled.

Other provisions

Provisions are recognised when NBS has a present obligation (legal or constructive) as a result of a past event, it is probable that NBS will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

l. Equity

Debt and equity instruments

Perpetual preferential shares are classified as equity and are recognised at the amount paid per perpetual preferential share.

Debt and equity instruments are classified in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the *Statement of Financial*

Notes to the Financial Statements

For the year ended 31 March 2025

Position classification of the related debt or equity instruments.

m. ***Statement of Cash Flows***

Basis of presentation

The *Statement of Cash Flows* has been prepared using the direct approach modified by the netting of certain items disclosed below.

Operating activities are the principal revenue producing activities of NBS and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity of the entity.

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of NBS.

Netting of cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of clients and reflect the activities of those clients rather than NBS. These include client borrowings.

n. **New and revised *NZ IFRS* standards in issue but not yet effective**

There are a number of standards, amendments and interpretations which have been approved but are not yet effective that NBS expects to adopt when they become mandatory.

NZ IFRS 18 **Presentation and disclosure in financial statements**

NZ IFRS 18 was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027. It includes requirements for all entities applying *NZ IFRS* for the presentation and disclosure of information in financial statements. There will be changes to the structure of the income statement with categories including operating, investing and financing required to be disclosed as well as requiring certain subtotals. The standard also makes changes in the area of reporting management-defined performance measures, and the aggregation and disaggregation of the financial statements and notes. Retrospective application will be required with comparative information needing to be provided, and a reconciliation will need to be performed between how the income statement was presented for the comparative period and how it is presented in the year of the adoption of *NZ IFRS 18*. The full impacts of the amendments is yet to be assessed.

Amendments to the classification and measurement of financial instruments (Amendments to *NZ IFRS 9* and *NZ IFRS 7*)

The changes were issued in June 2024 and apply to annual reporting periods beginning on or after 1 January 2026. The amendments amend or clarify:

- requirements for derecognition of financial liabilities settled through electronic transfer
- application guidance for assessing whether cash flows of a financial asset are consistent with those of a basic lending arrangement
- guidance on financial assets with non-recourse features
- characteristics of contractually linked instruments
- disclosure requirements for investments designated at fair value through other comprehensive income
- disclosure requirements regarding contractual terms that change the amount or timing of cash flows.

The full impact of the amendments is yet to be assessed.

Notes to the Financial Statements

For the year ended 31 March 2025

1. Auditor's remuneration	Year to 31/03/2025	Year to 31/03/2024
Financial statement audit[1]	381,541	159,850
Other audit related services[2]	46,575	12,823
Other services[3]	62,170	78,253
Total fees paid to auditor	**490,286**	**250,926**

[1] Year to 31/03/2025 amount includes $161,000 related to 31/03/2024 audit

[2] Fees are for agreed upon procedures in respect of trustee reporting and assurance services in respect of climate disclosures - the GHG disclosures of the climate statement

[3] Fees are for reasonable assurance engagement in relation to the register of debt securities, non assurance services in respect of climate disclosures (gap analysis), non assurance services in respect of ECL workshop, and non assurance services in respect of taxation advisory

NBS has adopted FRS-44 New Zealand Additional Disclosures in the current year and as a result, the prior year comparatives have been reclassified to align to current year disclosures.

2. Administration expenses		
Branch and operational expenses[1]	2,711,656	8,100,952
Marketing expenses	946,507	813,623
Computer expenses[2]	3,612,783	3,422,537
Property expenses	362,625	351,069
Professional expenses[3]	6,617,949	7,361,330
	14,251,520	**20,049,511**

[1] Branch and operational expenses include a recovery of ($249,783) related to remediation expenses (31 March 2024: $5,381,382)

[2] Computer expenses include $12,867 related to remediation project costs (31 March 2024: $nil)

[3] Professional expenses include $740,808 related to remediation project costs (31 March 2024: $5,168,429)

3. Taxation

(a) Income tax recognised in the *Income Statement*

Current income tax expense	913,024	150,969
Adjustments recognised in relation to the current income tax of prior periods	(150,969)	(507,561)
Deferred tax expense relating to the origination and reversal of temporary differences	(33,421)	(1,487,082)
Adjustments recognised in relation to the deferred tax of prior periods	155,319	509,143
Total income tax expense/(recovery) recognised in the *Income Statement*	**883,953**	**(1,334,531)**

The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:

Surplus/(deficit) before tax	3,103,555	(7,105,810)
Taxation thereon at 28%	868,995	(1,989,627)
Tax effect of expenses that are not deductible in determining taxable profit	10,608	29,842
Under provision of income tax in previous year	4,350	1,582
Removal of commercial building depreciation	-	623,672
Total income tax expense/(recovery) recognised in the *Income Statement*	**883,953**	**(1,334,531)**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2024: 28%) payable by New Zealand companies under New Zealand tax law.

(b) Current tax (receivables)

Balance at the beginning of the year	(1,686,170)	785,342
Current income tax expense	913,024	150,969
Adjustments recognised in relation to the current income tax of prior periods	(150,969)	(507,561)
Income taxes paid	(310,000)	(2,114,920)
Balance at end of year	**(1,234,115)**	**(1,686,170)**

Notes to the Financial Statements

For the year ended 31 March 2025

	Year to 31/03/2025	Year to 31/03/2024
(c) Deferred taxation		
Balance at beginning of year	3,284,447	2,290,644
Charged to the *Income Statement*	(121,898)	977,939
Charged to other comprehensive income	-	15,864
Balance at end of year (deferred tax asset)	**3,162,549**	**3,284,447**
Deferred tax relates to:		
Provision for credit impairment	2,899,704	2,844,100
Property, plant and equipment	(740,903)	(759,582)
Leases	61,589	52,270
Employee entitlements	304,833	362,004
Tax loss carried forward	348,820	-
Other temporary differences	288,506	785,655
	3,162,549	**3,284,447**
Deferred tax recognised in the *Income Statement*		
Provision for credit impairment	55,604	1,061,961
Property, plant and equipment	18,679	(601,943)
Leases	9,319	14,072
Employee entitlements	(57,171)	192,004
Tax loss carried forward	348,820	-
Other temporary differences	(497,149)	311,845
Total deferred tax recognised in the *Income Statement*	**(121,898)**	**977,939**
Deferred tax recognised in other comprehensive income:		
Asset revaluation reserve	**-**	**15,864**
(d) Imputation credit account		
Balance at beginning of year	25,036,372	24,205,871
Income taxes paid	310,000	2,114,920
Net movement in tax provision	913,024	-
Dividends paid	(1,211,980)	(1,067,350)
Prior year adjustment	(77,264)	(217,069)
Balance at end of year	**24,970,152**	**25,036,372**

4. Cash and cash equivalents

	Year to 31/03/2025	Year to 31/03/2024
Bank deposits at call	237,286,575	224,041,205
Term deposits held with New Zealand banks	-	77,871,491
Cash on hand	2,403,294	2,106,406
	239,689,869	**304,019,102**

Guarantees of $nil have been issued by Westpac New Zealand Limited of behalf of NBS (31 March 2024: $1,500,000).

Notes to the Financial Statements

For the year ended 31 March 2025

			31/03/2025	31/03/2024
5.	**Loans and receivables**	**Note**		
	Secured		802,384,402	828,874,123
	Unsecured		533,333	598,420
	Gross loans and receivables		**802,917,735**	**829,472,543**
	Less provisions for credit impairment	6	(10,279,912)	(10,043,430)
	Total net loans and receivables		**792,637,823**	**819,429,113**

6. Provision for expected credit loss

NBS manages NBS' performance from a product perspective and has identified the following segments of its business:

Residential: This part of the business offers home loans to clients.

Commercial: This part of the business offers commercial loans to clients.

Consumer: This type of loan allows clients to borrow a lump sum for a particular purpose (eg, car loans) through a dealer network.

Personal: This type of loan allows clients to borrow a lump sum for a particular purpose.

Overdrafts: These are overdrafts on deposit accounts.

			31 March 2025		
	Stage one	**Stage two**	**Stage three**	**Specific**	**Total**
Provision for credit impairment					
Residential	321,867	537,146	161,312	25,000	1,045,325
Commercial	1,652,479	4,684,237	10,002	119,500	6,466,218
Consumer	109,199	501,410	211,965	1,863,460	2,686,034
Personal	2,457	-	653	-	3,110
Overdrafts	29,585	44,640	-	5,000	79,225
	2,115,587	**5,767,433**	**383,932**	**2,012,960**	**10,279,912**
Balance at beginning of year	2,733,715	5,536,305	1,523,282	250,128	10,043,430
Transfer between stages	306,645	(371,974)	(556,986)	622,315	-
Movement in provisions	(921,647)	631,051	(361,591)	1,201,641	549,454
Amounts written off	(3,126)	(27,949)	(220,773)	(61,124)	(312,972)
Balance at end of year	**2,115,587**	**5,767,433**	**383,932**	**2,012,960**	**10,279,912**

	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Provision for credit impairment movements						
Amounts written off	-	25,768	700,376	12,059	31,491	769,694
Provision for unrecognised loan commitments	(1,575)	(37,894)	(1,003)	(88)	2,666	(37,894)
Collective provision	161,483	(377,172)	(1,150,783)	(327)	(159,551)	(1,526,350)
Specific provision	-	49,500	1,708,332	-	5,000	1,762,832
Provision for credit impairment to *Income Statement*	**159,908**	**(339,798)**	**1,256,922**	**11,644**	**(120,394)**	**968,282**

Notes to the Financial Statements

For the year ended 31 March 2025

	31 March 2025				
	Stage one	**Stage two**	**Stage three**	**Specific**	**Total**
Loans and receivables					
Residential	343,772,447	5,468,003	1,025,025	123,380	350,388,855
Commercial	394,769,457	28,552,942	44,285	279,387	423,646,071
Consumer	15,025,884	3,789,157	713,160	3,009,727	22,537,928
Personal	531,130	-	2,203	-	533,333
Overdrafts	5,718,470	261,359	-	23,770	6,003,599
Subtotal	**759,817,388**	**38,071,461**	**1,784,673**	**3,436,264**	**803,109,786**
Unearned income					(192,051)
Gross loans and receivables	**759,817,388**	**38,071,461**	**1,784,673**	**3,436,264**	**802,917,735**
Allowance of expected credit loss	(2,115,587)	(5,767,433)	(383,932)	(2,012,960)	(10,279,912)
Total loans and receivables	**757,701,801**	**32,304,028**	**1,400,741**	**1,423,304**	**792,637,823**

	Note	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Expected credit loss allocated to unrecognised loan commitments							
Unrecognised loan commitment		26,693,901	59,493,487	824,944	38,626	9,366,625	96,417,583
Expected credit loss provision	13	4,559	60,449	1,864	1	9,302	76,175
Movement from prior year		**(1,575)**	**(37,894)**	**(1,003)**	**(88)**	**2,666**	**(37,894)**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Impact from changes in loan carrying balances and committed loans						
Increase in provision from loan originations	123,494	820,349	-	1,121	6,998	951,962
Decrease in provision from loan derecognitions	(123,588)	(1,151,739)	(368,686)	(840)	(35,785)	(1,680,638)
Change in provision from continuing loans	161,577	3,718	926,235	(608)	(125,764)	965,158
Net movement in collective and specific provision	**161,483**	**(327,672)**	**557,549**	**(327)**	**(154,551)**	**236,482**

Notes to the Financial Statements

For the year ended 31 March 2025

	31 March 2024				
	Stage one	**Stage two**	**Stage three**	**Specific**	**Total**
Provision for credit impairment					
Residential	402,275	303,403	153,164	25,000	883,842
Commercial	1,750,371	4,445,788	527,731	70,000	6,793,890
Consumer	520,408	610,562	842,387	155,128	2,128,485
Personal	3,437	-	-	-	3,437
Overdrafts	57,224	176,552	-	-	233,776
	2,733,715	**5,536,305**	**1,523,282**	**250,128**	**10,043,430**
Balance at beginning of year	5,333,817	26,832	95,484	102,444	5,558,577
Transfer between stages	(116,610)	117,583	(6,003)	5,030	-
Movement in provisions	(2,483,492)	5,391,890	1,383,073	136,667	4,428,138
Amounts written off	-	-	50,728	5,987	56,715
Balance at end of year	**2,733,715**	**5,536,305**	**1,523,282**	**250,128**	**10,043,430**

	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Provision for credit impairment movements						
Amounts written off	-	-	50,728	5,987	-	56,715
Provision for unrecognised loan commitments	(191,041)	(505,296)	(2,426)	(10)	6,636	(692,137)
Collective provision	(1,096,220)	5,719,627	(426,702)	(93,312)	233,776	4,337,169
Specific provision	25,000	15,000	107,684	-	-	147,684
Provision for credit impairment to *Income Statement*	**(1,262,261)**	**5,229,331**	**(270,716)**	**(87,335)**	**240,412**	**3,849,431**

Notes to the Financial Statements

For the year ended 31 March 2025

	31 March 2024				
	Stage one	**Stage two**	**Stage three**	**Specific**	**Total**
Loans and receivables					
Residential	377,347,472	2,781,808	1,143,002	92,719	381,365,001
Commercial	367,866,931	24,277,146	2,358,696	331,817	394,834,590
Consumer	34,691,813	4,672,397	2,745,610	369,755	42,479,575
Personal	598,420	-	-	-	598,420
Overdrafts	8,193,085	1,042,512	-	-	9,235,597
Subtotal	**788,697,721**	**32,773,863**	**6,247,308**	**794,291**	**828,513,183**
Unearned income	-	-	-	-	959,360
Gross loans and receivables	**788,697,721**	**32,773,863**	**6,247,308**	**794,291**	**829,472,543**
Allowance of expected credit loss	(2,733,715)	(5,536,305)	(1,523,282)	(250,128)	(10,043,430)
Total loans and receivables	**785,964,006**	**27,237,558**	**4,724,026**	**544,163**	**819,429,113**

	Note	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Expected credit loss allocated to unrecognised loan commitments							
Unrecognised loan commitment		28,868,142	70,766,127	848,874	9,107	8,789,923	109,282,173
Expected credit loss provision	13	6,134	98,343	2,867	89	6,636	114,069
Movement from prior year		**(191,041)**	**(505,296)**	**(2,426)**	**(10)**	**6,636**	**(692,137)**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Impact from changes in loan carrying balances and committed loans						
Increase in provision from loan originations	71,893	731,376	379,915	1,678	275	1,185,137
Decrease in provision from loan derecognitions	(403,252)	(291,046)	(562,153)	(32,455)	-	(1,288,906)
Change in provision from continuing loans	(739,861)	5,294,297	(136,780)	(62,535)	233,501	4,588,622
New movement in collective and specific provision	**(1,071,220)**	**5,734,627**	**(319,018)**	**(93,312)**	**233,776**	**4,484,853**

Notes to the Financial Statements

For the year ended 31 March 2025

Expected credit loss assumptions

The expected credit loss (ECL) charge and ECL provisions are based on management's judgement using a variety of internal and external information. The judgements and associated assumptions are made by considering historical loss experience and expectations of future events based on reasonable and supportable forecasts of future economic conditions. Whilst best judgement is used when considering assumptions, NBS' ECL estimates inherently involve an element of uncertainty, accordingly, actual results may differ from these estimates.

Judgement/ assumption	Changes and considerations during the year ended 31 March 2025
Determining when a significant increase in credit risk (SICR) has occurred	Various initiatives, such as restructured lending facilities and payment deferrals are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade client facilities.
Measuring both 12 month and lifetime credit losses	The PD, EAD and LGD models are subject to NBS' model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 31 March 2025. There were no changes to behavioural lifetime estimates during the year ended 31 March 2025.
Base case economic forecast	NBS derives a forward looking "base case" economic scenario which reflects their view of the most likely future macro economic conditions. The expected outcomes of key economic drivers for the base case scenario and upside and downside scenarios as at 31 March 2025 and those previously used as at 31 March 2024 are described below under the heading "Scenario assumptions".
Probability weighting of each scenario (base case, upside and downside scenarios)	The key consideration for probability weightings in the current year is unemployment and property values. In addition to the base case forecast, weighting has been applied to the downside and upside scenarios to determine the appropriate provision. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. NBS considers these weightings in each scenario to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within NBS' credit portfolios in determining them. The probability weightings for the weighted scenario used in the financial statements are described below under the heading "Probability weighting".

Scenario assumptions

The economic drivers of the economic forecasts at 31 March 2025 and 31 March 2024 are set out below:

31/03/2025

Input used within the different scenarios	Upside scenario	Base case scenario	Downside scenario
Unemployment rate	4.40%	4.83%	5.20%
Residential property values	9.90%	7.15%	4.70%

31/03/2024

Input used within the different scenarios	Upside scenario	Base case scenario	Downside scenario
Unemployment rate	4.90%	5.00%	5.70%
Residential property values	11.30%	3.80%	3.00%

Probability weighting

	Weighting applied 31/03/2025	Weighting applied 31/03/2024
Upside scenario	5%	5%
Base case scenario	50%	50%
Downside scenario	45%	45%

ECL - sensitivity analysis

The uncertainty surrounding house prices, interest rates and inflation introduce significant estimation uncertainty in relation to the measurement of NBS' allowance for expected credit losses. Economic indicators are inherently uncertain and could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by NBS should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL to key factors used in determining it by showing the results of what the total ECL provision would be if a 100% weighting was applied to each scenario and how much this would change the current surplus by:

	Total ECL provision	Impact on *Income Statement* surplus	Increase or decrease in profit
Upside scenario	9,825,773	530,315	Increase
Base scenario	10,219,384	136,704	Increase
Downside scenario	10,566,906	(210,818)	Decrease

Notes to the Financial Statements

For the year ended 31 March 2025

7. Asset quality

	31 March 2025					
	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Asset quality						
Past due but not impaired	4,634,060	26,610,204	3,775,838	-	-	35,020,102
Impaired	1,148,406	323,672	3,722,886	2,203	23,770	5,220,937
Neither past due nor impaired	344,606,389	396,712,195	15,039,204	531,130	5,979,829	762,868,747
Unearned income	(374,396)	(346,502)	535,036	(6,189)	-	(192,051)
Total	**350,014,459**	**423,299,569**	**23,072,964**	**527,144**	**6,003,599**	**802,917,735**

At 31 March 2025, there was $203,206 (31 March 2024: $87,701) of trade receivables that was neither past due or impaired. Interest income on impaired financial assets was $406,456 (31 March 2024: $661,438).

	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Ageing of past due assets						
Past due 1-29 days	2,542,229	934,464	484,781	-	-	3,961,474
Past due 30-59 days	1,728,341	25,675,740	139,802	-	-	27,543,883
Past due 60-89 days	363,490	-	3,168,823	-	-	3,532,313
Past due 90 days+	1,148,406	138,719	3,670,278	2,203	-	4,959,606
Carrying amounts	**5,782,466**	**26,748,923**	**7,463,684**	**2,203**	**-**	**39,997,276**

	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Movements in impaired assets						
Balance at beginning of year	1,235,721	2,690,513	3,115,365	-	-	7,041,599
Assets classified as past due/impaired	673,836	44,285	1,525,399	2,203	23,770	2,269,493
Client repayments and recoveries	(60,139)	(2,381,126)	(688,738)	-	-	(3,130,003)
Loan balance written off	-	(30,000)	(218,036)	-	-	(248,036)
Assets no longer meeting definition	(701,012)	-	(11,104)	-	-	(712,116)
Balance at end of year	**1,148,406**	**323,672**	**3,722,886**	**2,203**	**23,770**	**5,220,937**

Notes to the Financial Statements

For the year ended 31 March 2025

	31 March 2024					
	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Asset quality						
Past due but not impaired	8,321,813	1,617,453	1,707,051	10,703	-	11,657,020
Impaired	1,235,721	2,690,513	3,115,365	-	-	7,041,599
Neither past due nor impaired	371,807,467	390,526,624	37,657,159	587,717	9,235,597	809,814,564
Unearned income	(422,107)	(376,190)	1,763,804	(6,147)	-	959,360
Total	**380,942,894**	**394,458,400**	**44,243,379**	**592,273**	**9,235,597**	**829,472,543**

	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Ageing of past due assets						
Past due 1-29 days	7,482,469	1,205,082	1,120,396	10,703	-	9,818,650
Past due 30-59 days	698,102	-	293,046	-	-	991,148
Past due 60-89 days	141,242	616,847	303,172	-	-	1,061,261
Past due 90 days+	1,235,721	2,486,037	3,105,802	-	-	6,827,560
Carrying amounts	**9,557,534**	**4,307,966**	**4,822,416**	**10,703**	**-**	**18,698,619**

	Residential	**Commercial**	**Consumer**	**Personal**	**Overdrafts**	**Total**
Movements in impaired assets						
Balance at beginning of year	2,505,633	587,456	7,236,779	-	-	10,329,868
Assets classified as past due/impaired	961,169	2,273,647	973,633	-	-	4,208,449
Client repayments and recoveries	(161,095)	(28,195)	(4,269,050)	-	-	(4,458,340)
Loan balance written off	-	-	(267)	-	-	(267)
Assets no longer meeting definition	(2,069,986)	(142,395)	(825,730)	-	-	(3,038,111)
Balance at end of year	**1,235,721**	**2,690,513**	**3,115,365**	**-**	**-**	**7,041,599**

Notes to the Financial Statements

For the year ended 31 March 2025

8. Property, plant and equipment

	31 March 2025			
Cost or fair value	**Freehold land and buildings**	**Computer equipment and hardware**	**Other assets**	**Total**
Balance at beginning of year	**3,310,000**	**1,227,458**	**2,694,413**	**7,231,871**
Additions	-	179,913	125,874	305,787
Disposals	-	-	(68,194)	(68,194)
Balance at end of year	**3,310,000**	**1,407,371**	**2,752,093**	**7,469,464**
Accumulated depreciation and impairment				
Balance at beginning of year	-	(942,116)	(1,495,661)	(2,437,777)
Depreciation	(45,663)	(200,295)	(341,053)	(587,011)
Accumulated depreciation on disposed assets	-	-	27,094	27,094
Balance at end of year	**(45,663)**	**(1,142,411)**	**(1,809,620)**	**(2,997,694)**
Net book value at end of year	**3,264,337**	**264,960**	**942,473**	**4,471,770**

Notes to the Financial Statements

For the year ended 31 March 2025

Cost or fair value	Freehold land and buildings	Computer equipment and hardware	Other assets	Total
	31 March 2024			
Balance at beginning of year	**3,473,114**	**1,114,645**	**2,786,653**	**7,374,412**
Revaluation	(163,114)	-	-	(163,114)
Additions	-	196,664	173,414	370,078
Disposals	-	(83,851)	(265,654)	(349,505)
Balance at end of year	**3,310,000**	**1,227,458**	**2,694,413**	**7,231,871**
Accumulated depreciation and impairment				
Balance at beginning of year	(58,106)	(836,065)	(1,381,912)	(2,276,083)
Depreciation	(48,351)	(189,794)	(351,162)	(589,307)
Accumulated depreciation on disposed assets	-	83,743	237,413	321,156
Revaluation	106,457	-	-	106,457
Balance at end of year	**-**	**(942,116)**	**(1,495,661)**	**(2,437,777)**
Net book value at end of year	**3,310,000**	**285,342**	**1,198,752**	**4,794,094**

NBS' freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation expense is included in the line item 'amortisation and depreciation' expense in the *Income Statement*.

The freehold land and buildings of NBS were valued by Duke & Cook Limited, independent registered valuers not related to NBS, as at March 2024. They have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. These are valued on the basis of market value for highest and best use. A rental capitalisation valuation methodology has been used in determining this value. This is a level 3 measurement under the fair value hierarchy. The rental capitalisation rate adopted for the valuation of the property was 5.65%. A significant decrease/increase in the rental capitalisation rate would result in an increase/decrease to the fair value of the land and buildings.

Had NBS' freehold land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	31/03/2025	31/03/2024
Freehold land	16,550	16,550
Buildings	2,148,785	2,192,301
	2,165,335	**2,208,851**

Notes to the Financial Statements

For the year ended 31 March 2025

9. Leases (NBS as a lessee)

	31/03/2025	31/03/2024
Right-of-use assets		
Cost		
Balance at beginning of year	3,287,292	2,825,582
Additions from new leases	-	229,700
Movement from remeasurement of leases	(91,993)	232,010
Balance at end of year	**3,195,299**	**3,287,292**
Accumulated depreciation		
Balance at beginning of year	(1,259,327)	(906,141)
Depreciation expense	(337,423)	(353,186)
Balance at end of year	**(1,596,750)**	**(1,259,327)**
Net book value at end of year	**1,598,549**	**2,027,965**

NBS leases eight properties under the criteria set in *NZ IFRS 16* (31 March 2024: eight).
The average remaining lease term is five years. (31 March 2024: six years).

	31/03/2025	31/03/2024
Amounts recognised in the *Income Statement*		
Depreciation expense on right-of-use asset	337,423	353,186
Interest expense on lease liabilities	152,433	179,465
	489,856	**532,651**

	31/03/2025	31/03/2024
Lease liabilities		
Maturity analysis - undiscounted cash flows		
Year one	458,960	463,728
Year two	424,155	470,136
Year three	329,467	437,887
Year four	274,517	335,506
Year five	215,657	274,664
Onwards	754,568	941,265
Total	**2,457,324**	**2,923,186**
Less: unearned interest	**(638,815)**	**(708,543)**
Lease liabilities	**1,818,509**	**2,214,643**

NBS does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the NBS treasury function. All lease obligations are denominated in NZD.

Notes to the Financial Statements

For the year ended 31 March 2025

10. Intangible assets

	31/03/2025	31/03/2024
Software		
Cost		
Balance at beginning of year	1,206,008	1,206,008
Additions	-	-
Balance at end of year	**1,206,008**	**1,206,008**
Accumulated amortisation		
Balance at beginning of year	(1,191,070)	(1,085,400)
Amortisation	(14,938)	(105,670)
Balance at end of year	**(1,206,008)**	**(1,191,070)**
Net book value at end of year	-	14,938

Amortisation expense is included in the line item 'amortisation and depreciation' expense in the *Income Statement*.

No impairment losses have been recognised against the gross carrying amount of intangible assets during the year ended 31 March 2025 (31 March 2024: $nil).

11. Trade and other payables

	31/03/2025	31/03/2024
Trade payables and accruals	1,012,240	3,168,199
Payroll tax and other statutory liabilities	908,713	759,817
	1,920,953	**3,928,016**

Trade payables are unsecured and are usually paid within 30 days of recognition.

Trade payable and accruals includes consumer interest overcharged of $nil relating to the active consumer loan product (31 March 2024: $0.4M).

Notes to the Financial Statements

For the year ended 31 March 2025

12. Borrowings

	31/03/2025	31/03/2024
Call borrowings - depositors	325,442,037	321,734,929
Term borrowings - depositors	687,262,058	700,775,253
Total borrowings	**1,012,704,095**	**1,022,510,182**

	31/03/2025		31/03/2024	
	Amount	Weighted average interest rate %	Amount	Weighted average interest rate %
Maturity analysis				
Borrowings at call	325,442,037	0.64	321,734,929	1.51
Between zero and one year	656,499,032	5.02	664,643,025	5.85
Between one and two years	27,273,352	5.08	24,616,645	5.32
Between two and five years	3,489,674	4.67	11,515,583	5.48
Total borrowings	**1,012,704,095**	**3.61**	**1,022,510,182**	**4.47**

All borrowings are unsecured.

13. Other provisions

	Note	31/03/2025	31/03/2024
Provision for credit impairment - unrecognised loan commitments	6	76,175	114,069
Customer remediation		1,264,268	5,821,034
		1,340,443	**5,935,103**

Customer remediation includes provisions for expected payments to customers or former customers and remediation project costs.

At 31 March 2025 NBS had recognised a provision of $1,264,268 (31 March 2024: $5,821,034) for estimated compliance and remediation costs. NBS has been undertaking a review of the *Credit Contracts and Consumer Finance Act 2003*. Provisions have been recognised where this review has identified areas that may result in the requirement for remediation activity and the costs can be reliability estimated.

$1.9M of the new and increased provisions in the year related to remediation project costs and a further $0.4M were in relation to deficiencies in loan approval processes for a small number of clients for one product that were also paid out during the financial year.

Unused amounts of $0.9M reversed during the year are in relation to estimates in the prior year now that the amounts have been fully calculated.

Refer to note 6 for movement in the provision for credit impairment - unrecognised loan commitments.

Customer remediation

	31/03/2025	31/03/2024
Customer remediation balance at beginning of year	**5,821,034**	**-**
New and increased provisions during the year	2,288,532	6,434,674
Provisions used during the year	(5,906,993)	(613,640)
Unused amounts reversed during the year	(938,305)	-
Customer remediation balance at end of year	**1,264,268**	**5,821,034**

14. Share capital

	31/03/2025	31/03/2025	31/03/2024	31/03/2024
	Number of shares	Amount	Number of shares	Amount
As at beginning of year	**49,621,000**	**49,621,000**	**50,121,000**	**50,121,000**
Issued during the year	-	-	900,000	900,000
Redeemed during the year	-	-	(1,400,000)	(1,400,000)
As at end of year	**49,621,000**	**49,621,000**	**49,621,000**	**49,621,000**

The subscription price for the perpetual preference shares (PPS) is $1 each. Shares were redeemed for $1 each.

Each perpetual preference share ('PPS') attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus of NBS. Dividends were paid at 9.24% for quarter one, and 9.21% for quarter two, 8.54% for quarter three, and 7.89% for quarter four (31 March 2024: 7.25% for quarter one, 7.75% for quarters two and three, and 7.9% for quarter four). NBS can cancel the payment of a dividend by giving the holder a *Dividend Cancellation Notice*. NBS paid dividends of $3,116,518 for the year ending 31 March 2025 (31 March 2024: $2,744,613).

The PPS are voting (one right to vote per member). Upon a winding up, the PPS rank equally among themselves but behind the claims of all secured and unsecured creditors of NBS.

15. Commitments and contingent liabilities

NBS has a commitment for loans approved but not yet paid at 31 March 2025 of $96,417,583 (31 March 2024: $109,282,173).

NBS has issued bond guarantees at 31 March 2025 of $793,000 (31 March 2024: $739,515).

Contingent liabilities

NBS regularly reviews its compliance with the requirements of the *Credit Contracts and Consumer Finance Act 2003 (CCCFA)* and believes there may have been incidents of potential non compliance. This is in addition to two issues that were self-reported to the Commerce Commission in the prior reporting period. The earlier self-reported disclosures as well as the current self-reported disclosures are now the subject of a Commerce Commission investigation. The issues self-reported to the Commerce Commission were in relation to the disclosure requirements under the CCCFA, the interest calculation methodologies on the consumer loan product, and compliance with lending requirements to a small group of borrowers for the consumer loan product. NBS has completed assessments and provisions have been recognised where the likelihood of loss is probable and can be reliably estimated (see note 13). There may be additional regulatory exposures. The financial impact of associated potential regulatory exposures is currently unknown. NBS is not aware of any current enforcement action that is being taken.

16. Asset and liability categorisation

	31/03/2025	31/03/2024
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	1,107,153,468	1,123,535,916
Financial liabilities		
Financial liabilities held at amortised cost	1,016,443,557	1,028,652,841

All financial assets and financial liabilities of NBS are held at amortised cost.

17. Fair value of financial assets and liabilities

Disclosed below is the estimated fair value of NBS' financial instruments disclosed in terms of *NZ IFRS 7: Financial Instruments Disclosures* and *NZ IFRS 13: Fair Value Measurements*.

Methodologies

NBS uses valuation techniques within the following hierarchy to determine the fair value of the financial instruments:

Level one: Fair values are determined using quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level two: Fair values are determined using other techniques where all inputs, other than those included in level one, which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level three: Fair values are determined using techniques that use inputs which have significant effect on the recorded fair value but are not based on observable market data.

There have been no transfers between levels during the year. The following methods have been used:

Cash and cash equivalents, trade receivables and trade and other payables

The fair value of cash and cash equivalents, trade receivables and trade and other payables approximate the carrying value due to their short term nature.

Term deposits

The fair values of term deposits are not significantly different from their carrying amounts.

Mortgages, personal loans, consumer lending and overdrafts

For variable rate advances the carrying amount is a reasonable estimate of fair value. For fixed rate advances fair values have been estimated using the discounted cash flow approach by reference to current rates for the term at original fixing.

Borrowings

The fair value of demand deposits is the amount payable on demand at reporting date. For other liabilities with maturities of less than three months the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of three months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated using the discounted cash flow approach by reference to interest rates currently offered for similar liabilities of similar maturities. Borrowings are classified as level two within the fair value hierarchy.

Notes to the Financial Statements

For the year ended 31 March 2025

Financial assets	Carrying amount	Fair value 31/03/2025	Carrying amount	Fair value 31/03/2024
Cash and cash equivalents	239,689,869	239,689,869	304,019,102	304,019,102
Term deposits	74,622,570	74,622,570	-	-
Trade receivables	203,206	203,206	87,701	87,701
Mortgages	773,276,744	779,043,061	775,300,259	775,619,908
Personal loans	533,333	518,441	598,420	579,586
Consumer lending	23,104,059	22,722,854	44,338,267	43,080,972
Overdrafts	6,003,599	6,003,599	9,235,597	9,235,597
Less provision for credit impairment	(10,279,912)	(10,279,912)	(10,043,430)	(10,043,430)
Total financial assets	**1,107,153,468**	**1,112,523,688**	**1,123,535,916**	**1,122,579,436**
Financial liabilities				
Trade and other payables	1,920,953	1,920,953	3,928,016	3,928,016
Borrowings	1,012,704,095	1,022,349,345	1,022,510,182	1,032,288,279
Total financial liabilities	**1,014,625,048**	**1,024,270,298**	**1,026,438,198**	**1,036,216,295**

18. Liquidity risk

Liquidity risk is the risk that NBS will encounter difficulty in meeting commitments associated with its financial liabilities (eg, call borrowings, term borrowings and future commitments including loan draw-downs and guarantees). NBS manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitment based on historical and forecasted cash flow requirements.

NBS monitors its liquidity position on a regular basis, looking out to 90 days to assess potential funding requirements. This is managed in light of historical reinvestment rates in excess of 70% and through significant cash and term deposit reserves.

To meet both expected and unexpected fluctuations in operating cash flows NBS maintains a stock of liquid investments which it considers from analysis of historical cash flows, forecast cash flows and the current composition of the *Statement of Financial Position* to be adequate.

Cash demands are usually met by realising liquid investments on maturity and raising new deposits.

Asset liquidity includes cash and cash equivalents, term deposits, trade receivables and loans and receivables.

The primary funding source for NBS comes from its clients who reside in the Nelson, Tasman, West Coast, Golden Bay and Mid Canterbury regions.

The following tables are prepared in accordance with *NZ IFRS 7* and analyse NBS' assets and liabilities into relevant maturity groupings based on the remaining period at the *Statement of Financial Position* date to the contractual maturity date. The amounts shown in the tables are based on the contractual undiscounted cash flows and therefore will not agree to the carrying values on the *Statement of Financial Position*. The tables include estimates made by management as to the average interest rate applicable for each asset or liability class during the contractual term.

The majority of the longer-term loans and receivables are housing loans, which are likely to be repaid earlier than their contractual terms, based on historical analysis. Loans and receivables with maturity dates within 24 months are expected to run to term, but it is expected that a proportion of the advances in the over 24-month category could repay earlier due to changes in the borrowers' personal circumstances, but on average would still remain in the over 24-month category.

Notes to the Financial Statements

For the year ended 31 March 2025

Monetary assets receivable matched against liabilities payable

	31/03/2025							
	On call and within three months	Within six months	Six months to one year	One to two years	Two to five years	Greater than five years	No maturity	Total
Monetary assets								
Cash and cash equivalents	239,689,869	-	-	-	-	-	-	**239,689,869**
Term deposits	16,561,689	48,023,885	10,036,996	-	-	-	-	**74,622,570**
Trade receivables	203,206	-	-	-	-	-	-	**203,206**
Mortgages and interest	38,304,946	31,244,047	54,880,387	61,146,006	172,312,162	741,745,095	73,354,982	**1,172,987,625**
Personal loans and interest	82,737	69,832	123,901	186,026	163,971	-	-	**626,467**
Consumer lending and interest	5,786,074	6,427,945	3,556,278	4,798,438	3,645,184	-	-	**24,213,919**
Overdrafts	-	-	-	-	-	-	6,003,599	**6,003,599**
Provision for credit impairment	-	-	-	-	-	-	(10,279,912)	**(10,279,912)**
Total monetary assets	**300,628,521**	**85,765,709**	**68,597,562**	**66,130,470**	**176,121,317**	**741,745,095**	**69,078,669**	**1,508,067,343**
Liabilities								
Trade and other payables	1,920,953	-	-	-	-	-	-	**1,920,953**
Lease liabilities	114,740	114,740	229,480	424,155	819,641	754,568	-	**2,457,324**
Borrowings and interest	657,065,314	190,800,419	143,119,208	29,755,316	3,882,286	-	-	**1,024,622,543**
Total monetary liabilities	**659,101,007**	**190,915,159**	**143,348,688**	**30,179,471**	**4,701,927**	**754,568**	**-**	**1,029,000,820**
Net monetary assets/(liabilities)	**(358,472,486)**	**(105,149,450)**	**(74,751,126)**	**35,950,999**	**171,419,390**	**740,990,527**	**69,078,669**	**479,066,523**
Unrecognised loan commitments	(96,417,583)	-	-	-	-	-	-	**(96,417,583)**
Net liquidity gap	**(454,890,069)**	**(105,149,450)**	**(74,751,126)**	**35,950,999**	**171,419,390**	**740,990,527**	**69,078,669**	**382,648,940**

Notes to the Financial Statements

For the year ended 31 March 2025

Monetary assets receivable matched against liabilities payable

	31/03/2024							
	On call and within three months	**Within six months**	**Six months to one year**	**One to two years**	**Two to five years**	**Greater than five years**	**No maturity**	**Total**
Monetary assets								
Cash and cash equivalents	304,019,102	-	-	-	-	-	-	**304,019,102**
Term deposits	-	-	-	-	-	-	-	**-**
Trade receivables	87,701	-	-	-	-	-	-	**87,701**
Mortgages and interest	46,269,788	33,156,096	53,856,571	67,370,817	177,154,109	775,657,514	61,053,190	**1,214,518,085**
Personal loans and interest	103,148	89,479	144,806	177,270	186,913	-	-	**701,616**
Consumer lending and interest	4,635,737	4,572,711	12,929,382	16,848,505	9,006,827	5,475	-	**47,998,637**
Overdrafts	-	-	-	-	-	-	9,235,597	**9,235,597**
Provision for credit impairment	-	-	-	-	-	-	(10,043,430)	**(10,043,430)**
Total monetary assets	**355,115,476**	**37,818,286**	**66,930,759**	**84,396,592**	**186,347,849**	**775,662,989**	**60,245,357**	**1,566,517,308**
Liabilities								
Trade and other payables	3,928,016	-	-	-	-	-	-	**3,928,016**
Lease liabilities	115,932	115,932	231,864	470,136	1,048,057	941,265	-	**2,923,186**
Borrowings and interest	604,510,858	201,757,350	194,281,986	26,600,069	13,025,258	-	-	**1,040,175,521**
Total monetary liabilities	**608,554,806**	**201,873,282**	**194,513,850**	**27,070,205**	**14,073,315**	**941,265**	**-**	**1,047,026,723**
Net monetary assets/(liabilities)	**(253,439,330)**	**(164,054,996)**	**(127,583,091)**	**57,326,387**	**172,274,534**	**774,721,724**	**60,245,357**	**519,490,585**
Unrecognised loan commitments	(109,282,173)	-	-	-	-	-	-	**(109,282,173)**
Net liquidity gap	**(362,721,503)**	**(164,054,996)**	**(127,583,091)**	**57,326,387**	**172,274,534**	**774,721,724**	**60,245,357**	**410,208,412**

Although NBS has the right to call up loans and receivables in certain circumstances (eg, an event of default or where it becomes unlawful or significantly more expensive for NBS to extend the loan) prior to the end of the term, no such demands have been made. No estimate of the amount likely to be received from an early repayment of advances has been included in these financial statements. Where financial assets/liabilities are called the ability to liquidate a financial asset is constrained by the timeliness to realise the asset.

19. Credit risk

The nature of NBS' activities as a financial intermediary necessitates NBS dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that NBS could incur as a result of the counterparty to a contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements and any potential recoveries. The maximum amount of credit exposure is limited to the carrying amount of the financial assets disclosed in the *Statement of Financial Position* plus loan commitments. Credit risk incorporates the risks associated with NBS lending to clients who could be impacted by climate change or by changes to laws, regulations or other policies adopted by governments or regulatory authorities. NBS is a provider of loans that could be impacted in the future by climate change, for example if sea level rose and certain properties were unable to get insurance or were impacted by climate change. As at year end, there is considered to be no material risk of loss due to climate related risk on our client exposures in addition to amounts already provided for. NBS believes that climate change represents an implicit element in the application of methodologies and models used to perform estimates in the valuation and/or measurement of certain accounting items. NBS has provisioned a model overlay in the expected credit loss model to reflect climate risk.

NBS' activities are conducted within the bounds of prudent and conservative banking practice. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit management involves a thorough evaluation of the credit risk associated with potential borrowers, the taking of security against the loan and close ongoing monitoring of account performance. Loans which show signs of adverse performance are managed by the credit risk management function which is responsible for the collections and recovery process.

Financial instruments which potentially subject NBS to credit risk are mortgages, personal loans, overdrafts, consumer lending, cash and cash equivalents, term deposits and trade receivables. The majority of NBS' loans and receivables are secured by first mortgage over residential, commercial and agricultural properties. As a guideline NBS will lend up to 80% of a property's valuation by a registered valuer on a residential first mortgage and up to 60% on both commercial and agricultural first mortgages. The credit risk on loans and receivables is limited as security is held. Personal advances are generally secured by way of guarantee. The majority of consumer lending advances are secured by a registered charge over the asset.

In the normal course of business, NBS incurs credit risk from debtors. NBS has a credit policy, which is used to manage its exposure to unsecured advances. There are no significant concentrations of credit risk in any of the above areas. The majority of NBS' loans and receivables are residential mortgages. A significant portion of all loans and receivables are in the Nelson and Tasman regions, with more in West Coast, Golden Bay and Mid Canterbury regions. The service and product provision for each branch is similar; the class of client, methods of distribution and regulatory environment is consistent across all the branches.

Concentrations of credit risk to individual counterparties and bank counterparties

Credit risk becomes concentrated when a number of clients are engaged in similar activities, have similar economic characteristics or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. NBS monitors its credit portfolio to manage concentration risk. NBS also applies single client counterparty limits to protect against unacceptably large exposures to one single client.

The table below shows the numbers of bank counterparties or groups of closely related counterparties of which a bank is a parent and individual counterparties (other than banks or groups of closely related counterparties of which a bank is a parent) where NBS has large credit exposures. These have been disclosed in bands of 10% of NBS' equity at balance date.

	31/03/2025		**31/03/2024**	
% of equity	**Bank**	**Other**	**Bank**	**Other**
10-19	-	1	-	-
20-29	-	2	-	2
30-39	1	-	1	-
40-49	-	-	-	-
50-59	1	-	-	-
60-69	-	-	1	-
70-79	1	-	1	-
80-89	-	-	-	-
90+	1	-	1	-

The table below shows the level of lending by sector. NBS has five major sectors of lending.

Credit risk profile by sector

	31/03/2025	31/03/2024
Residential	513,526,576	521,694,456
Commercial	202,100,790	202,703,170
Agriculture	63,611,017	63,162,049
Personal lending	4,378,781	3,681,744
Consumer finance	19,300,571	38,231,124
	802,917,735	**829,472,543**

Information about major clients
At 31 March 2025, there was no one client that individually comprised 10% or more of the total revenue (31 March 2024: $nil).

20. Market risk

Market risk is the risk that changes in market prices, such as interest rate and credit spreads, could affect NBS' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NBS' exposure to market risk is managed operationally by treasury. Market risk is managed within a framework of policy limits, within the *Treasury Policy*. An external treasury advisor independently reports on this to the board.

Interest rate risk is the risk of loss arising from adverse changes in interest rates. NBS is exposed to interest rate risk in respect of borrowing from and lending to clients and investing in physical money market instruments. Changes in interest rates can impact NBS' financial results by affecting the spread earned on interest earning assets and interest paying liabilities and impacting on the market value of other financial instruments held.

NBS' normal lending terms allow it to reset variable interest rates at 30 days' notice.

Interest rates on term borrowings are fixed until their respective maturity dates. Approximately 97% of the borrowings can be repriced or mature within twelve months (31 March 2024: 96%).

The following table shows the next interest maturity date for financial assets and liabilities excluding interest with amounts without interest resets during the period of the loan being shown as "non interest sensitive assets":

Notes to the Financial Statements

For the year ended 31 March 2025

Interest rate repricing schedule

	31/03/2025							
	Effective interest rate %	**On call and within three months**	**Within six months**	**Six months to one year**	**One to two years**	**Greater than two years**	**Non interest sensitive assets**	**Total carrying amount**
Monetary assets								
Cash and cash equivalents	3.51%	231,698,961	-	-	-	-	7,990,908	**239,689,869**
Term deposits	5.10%	16,561,689	48,023,885	10,036,996	-	-	-	**74,622,570**
Trade receivables		-	-	-	-	-	203,206	**203,206**
Mortgages	7.10%	294,950,091	115,688,331	259,603,914	103,792,591	-	(758,183)	**773,276,744**
Personal loans	11.82%	-	-	-	-	-	533,333	**533,333**
Consumer lending	10.50%	4,491,431	-	-	-	-	18,612,628	**23,104,059**
Overdrafts	9.83%	6,003,599	-	-	-	-	-	**6,003,599**
Provision for credit impairment		-	-	-	-	-	(10,279,912)	**(10,279,912)**
Total monetary assets		**553,705,771**	**163,712,216**	**269,640,910**	**103,792,591**	**-**	**16,301,980**	**1,107,153,468**
Liabilities								
Borrowings	3.61%	325,442,037	517,513,519	138,985,513	27,273,352	3,489,674	-	**1,012,704,095**
Trade and other payables		-	-	-	-	-	1,920,953	**1,920,953**
Total monetary liabilities		**325,442,037**	**517,513,519**	**138,985,513**	**27,273,352**	**3,489,674**	**1,920,953**	**1,014,625,048**
Net monetary assets/(liabilities)		**228,263,734**	**(353,801,303)**	**130,655,397**	**76,519,239**	**(3,489,674)**	**14,381,027**	**92,528,420**
Unrecognised loan commitments	5.94%	(96,417,583)	-	-	-	-	-	(96,417,583)
Interest sensitivity gap		**131,846,151**	**(353,801,303)**	**130,655,397**	**76,519,239**	**(3,489,674)**	**14,381,027**	**(3,889,163)**

Interest rate repricing schedule

31/03/2024	Effective interest rate %	On call and within three months	Within six months	Six months to one year	One to two years	Greater than two years	Non interest sensitive assets	Total carrying amount
Monetary assets								
Cash and cash equivalents	5.06%	301,641,345	-	-	-	-	2,377,757	**304,019,102**
Term deposits		-	-	-	-	-	-	**-**
Trade receivables		-	-	-	-	-	87,701	**87,701**
Mortgages	7.66%	262,835,660	107,331,688	211,907,413	175,328,349	18,796,482	(899,333)	**775,300,259**
Personal loans	11.12%	-	-	-	-	-	598,420	**598,420**
Consumer lending	10.48%	5,661,127	-	-	-	-	38,677,140	**44,338,267**
Overdrafts	10.66%	9,235,597	-	-	-	-	-	**9,235,597**
Provision for credit impairment		-	-	-	-	-	(10,043,430)	**(10,043,430)**
Total monetary assets		**579,373,729**	**107,331,688**	**211,907,413**	**175,328,349**	**18,796,482**	**30,798,255**	**1,123,535,916**
Liabilities								
Borrowings	4.47%	321,734,929	478,541,297	186,101,728	24,616,645	11,515,583	-	**1,022,510,182**
Trade and other payables		-	-	-	-	-	3,928,016	**3,928,016**
Total monetary liabilities		**321,734,929**	**478,541,297**	**186,101,728**	**24,616,645**	**11,515,583**	**3,928,016**	**1,026,438,198**
Net monetary assets/(liabilities)		**257,638,800**	**(371,209,609)**	**25,805,685**	**150,711,704**	**7,280,899**	**26,870,239**	**97,097,718**
Unrecognised loan commitments	7.08%	(109,282,173)	-	-	-	-	-	(109,282,173)
Interest sensitivity gap		**148,356,627**	**(371,209,609)**	**25,805,685**	**150,711,704**	**7,280,899**	**26,870,239**	**(12,184,455)**

Sensitivity analysis

In managing interest rate risk NBS aims to reduce the impact of short-term fluctuations. Over the long-term, however, permanent changes in interest rates will have an impact on surplus. At 31 March 2025 it is estimated that a general increase of one percentage point in interest rates would increase NBS' surplus before income tax and equity by $99,124 (31 March 2024: reduce deficit by $30,694). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, overdrafts, investments, bank deposits and consumer lending and borrowings.

A decrease in interest rates would have the opposite impact on surplus than that described above.

21. Currency risk

NBS is not exposed to currency risk.

22. Operational risk

Operational risk is the risk arising from day-to-day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to NBS' reputation. Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. NBS aims to minimise the impact of operational risks by ensuring the appropriate risk management policies, controls, systems, staff and processes are in place. Where appropriate, risks are mitigated by insurance.

23. Capital adequacy

NBS' objectives in relation to capital adequacy are to comply with regulatory requirements, to maintain a strong capital base to cover the inherent risks of the business and maintain a targeted credit rating, and to support future business development and growth.

NBS is subject to regulation. The *Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010* state that the trust deed must include a minimal capital ratio and this must be not less than 8% if the deposit taker has a credit rating. NBS' *Trust Deed* specifies that its minimum capital ratio is 8% as long as NBS has a credit rating from an approved credit rating agency – which it currently does.

As at balance date all perpetual non-cumulative preference shares have full voting rights. As such their contribution towards NBS' capital is unrestricted. On this basis the risk weighted capital ratio (RWC) as at 31 March 2025 is 12.81% (31 March 2024: 12.29%), as calculated under the *Deposit Takers (Credit Ratings, Capital Ratios, and Related party Exposures) Regulations 2010* and the NBS *Trust Deed*.

The capital ratio is calculated as a percentage of NBS' capital to the sum of NBS' risk weight amount for credit risk and NBS' aggregate amount for market and operational risk.

NBS has, throughout the year, complied with all capital adequacy regulatory requirements pursuant to the Reserve Bank of New Zealand's *Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010*.

NBS' policy is to maintain a strong capital base so as to maintain investor, creditor and client confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and NBS recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The board of directors has ultimate responsibility for capital adequacy, approves capital policy and establishes minimum internal capital levels and limits. NBS monitors its capital adequacy and reports this on a regular basis to the board and on a monthly basis to the trustee.

24. Related parties

A number of transactions are entered into with related parties (including key management personnel) in the normal course of business. Details of these transactions are outlined below.

Key management personnel are defined as being directors of NBS and those personnel with a key responsibility for the strategic direction and management of NBS (being the senior leadership team who report to the chief executive). The information relating to key management personnel disclosed below includes transactions with those individuals, their close family members and their controlled entities.

(a) Loans and advances to related parties

	31/03/2025	31/03/2024
Loans and advances outstanding at beginning of year	3,534,441	6,221,839
Net loans issued/(repaid) during the year or no longer categorised as related	(2,851,291)	(2,687,398)
Loans and advances outstanding at end of year	**683,150**	**3,534,441**

No specific provisions have been recognised in respect of loans given to related parties. There were no debts with any of the above parties written off or forgiven during the year ended 31 March 2025 (31 March 2024: $nil). All loans made to related parties have been made in accordance with NBS' lending policies. The above transactions (including interest rates and collateral) are conducted on an arm's length basis in the normal course of business and on market terms and conditions.

Amounts repayable to NBS that are secured by residential property total $683,150 (31 March 2024: $2,535,331) and carry interest rates of 6.55% per annum (31 March 2024: 3.24% to 7.5% per annum), charged on the outstanding loan balances.

Amounts repayable to NBS that have other security (a combination of residential/commercial property, and commercial property and GSA, and motel leasehold) total $nil (31 March 2024: $999,110) and carry interest rates of nil% per annum (31 March 2024: 7.09% to 8.84% per annum), charged on the outstanding loan balances.

(b) Deposits from related parties

	31/03/2025	31/03/2024
Deposits at beginning of year	981,488	5,746,842
Net deposits received (withdrawals made) during the year or no longer categorised as related	(649,132)	(4,765,354)
Deposits at end of year	**332,356**	**981,488**

The above deposits are unsecured and are repayable on demand. Interest rates are based on current market rates.

(c) Key management compensation (excluding directors) comprised:

	31/03/2025	31/03/2024
Salaries and short-term employee benefits	2,407,559	1,963,001
Post-employment benefits	95,166	76,738
Total compensation of key management personnel (excluding directors)	**2,502,725**	**2,039,739**

(d) Directors fees

Amounts received, or due and receivable by directors	**424,580**	**446,554**

(e) Other related party transactions

During the year ending 31 March 2025, NBS entered into transactions with related parties involving: motor vehicle transactions $nil (31 March 2024: $167,162), and human resource consultancy/provision of temps $nil (31 March 2024: $69,666).

(f) Holdings of perpetual preference shares

	31/03/2025		31/03/2024	
	Number of shares	Amount	Number of shares	Amount
Related parties held the following PPS shares	nil	nil	600,000	600,000

25. Personnel costs

Personnel expenses disclosed in the *Income Statement* include compulsory contributions to employees' KiwiSaver funds. During the year ended 31 March 2025, NBS made contributions of $242,624 (31 March 2024: $194,408).

26. Subsequent events

There have been no events subsequent to the balance date that would materially impact the financial statements.

Notes

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NBS

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