

Quarterly Ongoing Disclosure

As at 31 December 2023

This disclosure statement is prepared in accordance with the Financial Market Conduct Regulations 2014.

Nelson Building Society (NBS) is required by law and its *Trust Deed* to meet certain financial requirements. The tables below show how NBS is currently meeting those requirements. These are minimum requirements. Meeting them does not mean that NBS is safe. The section on specific risks relating to NBS' creditworthiness sets out risk factors that could cause its financial position to deteriorate¹. The information further below provides a breakdown of how the figures in the tables are calculated.

The full financial statements for NBS are available on the offer register at disclose-register.companiesoffice.govt.nz

This document should be read in conjunction with NBS' *Product Disclosure Statement* (PDS).

References in this statement to the 2010 Regulations mean the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

¹ See Section Six of the PDS for the specific risks.

1. Key Ratios

Capital Ratio

31/12/2023

NBS' capital ratio calculated in accordance with the 2010 Regulations		13.45%
Minimum capital ratio required by the <i>Trust Deed</i>		8%
Minimum capital ratio required by regulation 8(2) of the 2010 Regulations		8%

The capital ratio is a measure of the extent to which NBS is able to absorb losses without becoming insolvent. The lower the capital ratio, the fewer financial assets NBS has to absorb unexpected losses arising out of its business activities.

As at 31 December 2023, all Perpetual non-cumulative Preference Shares have full voting rights, as such their contribution towards NBS' capital is unrestricted.

Related Party Ratio

Aggregate exposures to related parties calculated in accordance with the 2010 Regulations	2.16% of capital, or \$2,293,000
Maximum limit on aggregate exposures to related parties allowed by the <i>Trust Deed</i> .	15%
Maximum limit on aggregate exposures to related parties allowed by regulation 23(3)(b) of the 2010 Regulations	15%

Related party exposures are financial exposures that NBS has to related parties. A related party is an entity that is related to NBS through common control or some other connection that may give the party influence over NBS (or NBS over the related party). These related parties include NBS directors and senior officers and their relatives.

Liquidity Ratio

Three month mismatch ratio

Total liquid assets calculated in accordance with the <i>Trust Deed</i>	295,368,927		
Three month deficit calculated in accordance with the <i>Trust Deed</i>	81,070,398		
Minimum liquidity requirement stipulated by the <i>Trust Deed</i> (being 115% of the three month deficit calculated in accordance with the <i>Trust Deed</i>)	93,230,957		
Surplus (deficit) of liquid assets above minimum requirements under the <i>Trust Deed</i>	202,137,970		
Liquidity calculated in accordance with Clause 7.2(b)(iii) of the <i>Trust Deed</i> for proceeding three months	443%	443%	507%

Minimum liquidity requirements required under the *Trust Deed*

Total liquid assets will not be less than 115% of the deficit (expressed as a positive number) arising from:

- i) aggregate amount receivable by NBS in cash by way of principal and interest on all moneys due to NBS (excluding principal moneys from liquid assets) during the next three months, less
- ii) the total amount payable by NBS in cash by way of:
 - a) 40% of principal moneys of debt securities payable during the next three months, and
 - b) 40% of committed undrawn lending facilities

Liquidity requirements help to ensure that NBS has sufficient realisable assets on hand to pay its debts as they become due in the ordinary course of business. Failure to comply with liquidity requirements may mean that NBS is unable to repay investors on time, and may indicate other financial problems in its business.

2. Selected Financial Information

As at and for the 3 months ended 31 December 2023

This section on NBS' financial information provides information referred to under Section Five of NBS' *Product Disclosure Statement*.

Total assets*	1,133,737,601
Total intangible assets*	33,473
Total tangible assets*	1,133,704,128
Total liabilities*	1,024,576,373
Net profit after tax*	(1,249,308)
Net cash flows from operating activities*	34,899,278
Cash and cash equivalents*	295,368,927
Capital as calculated in accordance with the 2010 Regulations	106,245,000

* As determined in accordance with Generally Accepted Accounting Practice (GAAP).

3. How the Key Ratios Have Been Calculated

As at 31 December 2023

1. Capital Ratio

Capital			(\$M)	
Retained earnings			58.480	
Fully paid perpetual preference shares			49.621	
Reserves			1.060	
Total capital			109.161	
Regulatory deductions from capital				
Intangibles/deferred tax			2.916	
Perpetual preference shares in excess of regulatory limit			-	
Net regulatory capital			(E) 106.245	
Exposures			(\$M)	(\$M)
	LVR	Risk Weighting	Value	Risk Weighted Exposures
Agriculture/farming				
Secured by 1st mortgage over rural land & buildings	<=70%	100%	49.451	49.451
Secured by 1st mortgage over rural land & buildings	>70% to <=100%	150%	10.167	15.250
			59.618	64.701
Property development				
Secured by 1st mortgage over land & buildings	<=60%	150%	31.885	47.827
Secured by 1st mortgage over land & buildings	>60% to <=100%	200%	-	-
			31.885	47.827
Other property (primary/commercial/industrial/retail property)				
Secured by 1st mortgage over land & buildings	<=70%	100%	109.104	109.104
Secured by 1st mortgage over land & buildings	>70% to <=100%	150%	26.266	39.399
			135.370	148.503
Residential mortgages (owner occupied and investment)				
Secured by 1st mortgage over land & buildings	<=70%	35%	439.846	153.946
Secured by 1st mortgage over land & buildings	>70% to <=80%	50%	66.617	33.309
Secured by 1st mortgage over land & buildings	>80% to <=90%	100%	4.847	4.847
Secured by 1st mortgage over land & buildings	>90% to <=100%	125%	-	-
Secured by 1st mortgage over land & buildings	>100%	150%	-	-
Mortgage insured by Kāinga Ora	Any	20%	12.106	2.421
			523.416	194.523
Consumer loans - to individuals with loan balances less than \$40,000				
Secured by a PPSR charge over a motor vehicle/boat	Any	100%	21.938	21.938
Secured by a PPSR charge over any other asset	Any	100%	0.735	0.735
Unsecured	Any	150%	0.181	0.272
			22.854	22.945
All other loans				
Secured by a PPSR charge over a motor vehicle/boat	<=70%	100%	10.819	10.819
Secured by a PPSR charge over a motor vehicle/boat	>70%	150%	10.219	15.329
Secured by a PPSR charge over an asset not a motor vehicle/boat	Any	150%	30.043	45.065
Unsecured	Any	200%	0.492	0.984
			51.573	72.197
Total net loan book (after provisions, deductions and deposit set-offs)			824.716	550.696
Value of qualifying deposits used as set off against loans			2.696	
Cash	0%		2.659	-
New Zealand registered bank deposits and securities	20%		292.710	58.542
Trade and receivables	350%		0.068	0.238

Operating leases	175%	1.772	3.101
Fixed assets	350%	4.965	17.377
Intangibles	0%	2.916	-
All other assets	350%	1.235	4.322
Off balance sheet items	100%		0.740
Total assets		(A) 1133.737	(B) 635.016
Market and operational risk requirement	(A+B)/2 x 0.175		(C) 154.766
Total exposures	B+C		(D) 789.782
Capital ratio as at 31 December 2023	E/D		13.45%

2. Related Party Ratio

Regulatory capital		(A) 106,245,000
Related party loans		(B) 2,293,000
Related party exposure % of capital	C=B/A	2.16%

3. Liquidity Compliance

		January through March 2024		
Total liquid assets	(A)	295,368,927		
Total of expected inflows (January-March)	sum B=M	32,205,303		
Total of principal of securities payable (January-March)	sum C=N	176,271,201		
Total committed undrawn lending facilities	G	106,918,051		
40% of principal moneys due and 40% of committed undrawn lending facilities	(N + G) x 40%=O	113,275,701		
Three month deficit	M-O=P	81,070,398		
Minimum liquidity requirement (being 115% of the three month deficit)	Q=P x 115%	93,230,957		
Surplus of liquid assets above the minimum requirements	R=A-Q	202,137,970		
		31/01/2024	29/02/2024	31/03/2024
Total liquid assets	(A)	295,368,927	295,368,927	295,368,927
Plus:				
All expected inflows due within each month	(B)	10,343,040	12,187,928	9,674,335
Less:				
Principal of the securities payable during the next three months	(C)	63,978,400	68,397,493	43,895,308
40% of term deposits due within each month	D=C x 40%	25,591,360	27,358,997	17,558,123
Committed undrawn lending facilities				
Flexible facilities	(E)	45,772,071	45,772,071	45,772,071
Loans approved but undrawn	(F)	61,145,980	61,145,980	61,145,980
	G=E+F	106,918,051	106,918,051	106,918,051
40% of committed undrawn lending facilities	H=G x 40%	42,767,220	42,767,220	42,767,220
Mismatch dollar amount	I=B-D-H	(58,015,540)	(57,938,289)	(50,651,008)
115%	J=I x 115%	(66,717,871)	(66,629,032)	(58,248,659)
Available liquidity	K=A-J	228,651,056	228,739,895	237,120,268
Liquidity as a % of deficit	L=A/J	443%	443%	507%

Basis of Preparation:

The ratios are calculated in accordance with the 2010 Regulations.
The calculations are based on unaudited book values as at 31 December 2023.