

NBS

Banking for life

Quarterly Ongoing Disclosure

As at 30 June 2021

1. Key Ratios

CAPITAL

Capital Ratio ¹	12.99%
Minimum capital ratio under the Trust Deed	For as long as NBS has a credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 8%. If NBS has no credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 10%.
Minimum capital ratio that must be set out in the Trust Deed under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	For as long as NBS has a credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 8%. If NBS has no credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 10%.

The capital ratio is a measure of the extent to which Nelson Building Society (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 30 June 2021 all perpetual non-cumulative preference shares have full voting rights, as such their contribution towards NBS's capital is unrestricted.

RELATED PARTIES

Related party ratio	2.05%
Maximum aggregate exposure of NBS to related parties under the Trust Deed	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).

LIQUIDITY

Liquidity ratio for proceeding three months	329%	297%	272%
Minimum liquidity coverage under the Trust Deed	Total liquid assets will not be less than 115% of the deficit arising from: i) aggregate amount receivable by NBS in cash within the next three months, less ii) aggregate amount payable by NBS in cash by way of: a) 40% of debt securities payable during the next three months 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 depositors on time, and may indicate other financial problems in its business.

2. Selected Financial Information as at and for the 3 months ended 30 June 2021

Total assets*	974,074,073
Total intangible assets*	591,137
Total tangible assets*	973,482,936
Total liabilities*	879,599,991
Net profit after tax*	2,744,454
Net cash flows from operating activities*	(42,182,148)
Cash and cash equivalents*	110,673,205
Regulatory capital**	92,456,714

* As determined in accordance with GAAP

** As calculated in accordance with the 2010 Regulations

3. Ratio Calculations as at 30 June 2021

1. CAPITAL COMPLIANCE

Capital					(\$M)	
Retained earnings					42.811	
Fully paid perpetual preference shares					50.289	
Reserves					1.374	
Total capital					94.474	
Regulatory deductions from capital						
Intangibles					2.017	
Net regulatory capital				(E)	92.457	
Exposures					(\$M)	(\$M)
	LVR	Risk Weighting	Value		Risk Weighted Exposures	
Agricultural/farming						
Secured by 1st mortgage over rural land & buildings	<=70%	100%	54.949		54.949	
Secured by 1st mortgage over rural land & buildings	>70% to <=100%	150%	0.883		1.325	
Secured by a PPSR charge over rural "qualifying movable machinery" <=70%		100%	-		-	
Secured by a PPSR charge over rural "qualifying movable machinery" >70%		150%	-		-	
			55.832		56.274	
Property Development						
Secured by 1st mortgage over land & buildings	<=60%	150%	17.765		26.648	
			17.765		26.648	
Other property (primary/commercial/industrial/retail property)						
Secured by 1st mortgage over land & buildings	<=70%	100%	93.999		93.999	
Secured by 1st mortgage over land & buildings	>70% to <=100%	150%	-		-	
			93.999		93.999	
Residential mortgages (owner occupied and investment)						
Secured by 1st mortgage over land & buildings	<=70%	35%	358.351		125.423	
Secured by 1st mortgage over land & buildings	>70% to <=80%	50%	120.036		60.018	
Secured by 1st mortgage over land & buildings	>80% to <=90%	100%	4.328		4.328	
Secured by 1st mortgage over land & buildings	>90% to <=100%	125%	0.900		1.125	
Mortgage insured by Kāinga Ora	Any	20%	15.645		3.129	
			499.260		194.023	
Consumer loans - to individuals with loan balances less than \$40,000						
Secured by a PPSR charge over a motor vehicle/boat	Any	100%	44.148		44.148	
Secured by a PPSR charge over any other asset	Any	100%	1.300		1.300	
Unsecured	Any	150%	0.462		0.693	
			45.910		46.141	
All other loans						
Secured by a PPSR charge over a motor vehicle/boat	<=70%	100%	12.763		12.763	
Secured by a PPSR charge over a motor vehicle/boat	>70%	150%	28.951		43.427	
Secured by a PPSR charge over an asset not a motor vehicle/boat	Any	150%	2.7818		4.1727	
Unsecured	Any	200%	-		-	
			69.532		97.917	
Total net loan book (after provisions, deductions and deposit set offs)			782.298		515.000	
Value of qualifying deposits used as set off against loans			1.314			
Cash		0%	2.275		-	
New Zealand registered bank deposits and securities		20%	179.739		35.948	
Trade and receivables		350%	0.020		0.070	
Operating Leases		175%	0.967		1.692	
Fixed Assets		350%	4.634		16.219	
Intangibles		0%	2.017		-	
All Other Assets		350%	0.810		2.835	
Off Balance Sheet Items		100%			4.439	
Total assets			(A) 974.074		(B) 576.204	
Market and operational risk requirement		(A+B)/2 x 0.175			(C) 135.649	
Total Exposures		B+C			(D) 711.853	
Capital ratio as at 30 June 2021		E/D			12.99%	

2. RELATED PARTY EXPOSURE

NBS's aggregate exposure to related parties as a percentage of capital must not exceed 15%.

Regulatory Capital	(A)	92,456,714
NBS related party exposure		
Related party loans	(B)	1,895,000
Related party exposure % of capital	$C=B/A$	2.05%

3. LIQUIDITY COMPLIANCE

		July 2021	August 2021	September 2021
Total liquid assets	(A)	182,014,068	182,014,068	182,014,068
PLUS:				
All expected inflows due within each month	(B)	8,549,144	3,577,176	4,846,120
LESS:				
Principal of the securities payable during the next three months	(C)	39,035,876	39,796,304	55,039,840
40% of term deposits due within each month	$D=C \times 40\%$	15,614,350	15,918,522	22,015,936
Committed undrawn lending facilities				
Flexible facilities	(E)	53,748,780	53,748,780	53,748,780
Loans approved but undrawn	(F)	48,709,484	48,709,484	48,709,484
	$G=E+F$	102,458,264	102,458,264	102,458,264
40% of committed undrawn lending facilities	$H=G \times 40\%$	40,983,306	40,983,306	40,983,306
Mismatch dollar amount	$I=B-D-H$	48,048,512	53,324,651	58,153,122
115%	$J=I \times 115\%$	55,255,789	61,323,349	66,876,090
Available liquidity	$K=A-J$	126,758,279	120,690,719	115,137,978
Liquidity as a % of deficit	$L=A/J$	329%	297%	272%

Basis of preparation:

The ratios are calculated in accordance with the Regulations. The calculations are based on unaudited book values as at 30 June 2021.