

NBS

Banking for life

Quarterly Ongoing Disclosure

As at 31 December 2020

1. Key Ratios

CAPITAL

Capital Ratio ¹	13.90%
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 31 December 2020 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	2.27%
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	512%	444%	284%
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 31 December 2020

Total assets*	940,794,178
Total intangible assets*	752,875
Total tangible assets*	940,041,303
Total liabilities*	850,919,590
Net profit after tax*	2,225,301
Net cash flows from operating activities*	13,424,168
Cash and cash equivalents*	125,668,631
Regulatory capital**	88,043,376

* As determined in accordance with GAAP

** As calculated in accordance with the 2010 Regulations

3. Ratio Calculations as at 31 December 2020

1. CAPITAL COMPLIANCE

Capital				(\$M)	
Retained earnings				37862	
Fully paid perpetual preference shares				50.639	
Reserves				1.374	
Total capital				89.875	
Regulatory deductions from capital					
Intangibles				1.831	
Net regulatory capital				(E) 88.044	
Exposures				(\$M)	
				Value	Risk Weighted Exposures
				LVR	Risk Weighting
Agricultural/farming					
Secured by 1st mortgage over rural land & buildings				<=70%	100%
Secured by 1st mortgage over rural land & buildings				>70% to <=100%	150%
Secured by a PPSR charge over rural "qualifying movable machinery"				<=70%	100%
				57.556	57.556
Property Development					
Secured by 1st mortgage over land & buildings				<=60%	150%
				11.044	16.566
Other property (primary/commercial/industrial/retail property)					
Secured by 1st mortgage over land & buildings				<=70%	100%
Secured by 1st mortgage over land & buildings				>70% to <=100%	150%
				66.919	66.919
Residential mortgages (owner occupied and investment)					
Secured by 1st mortgage over land & buildings				<=70%	35%
Secured by 1st mortgage over land & buildings				>70% to <=80%	50%
Secured by 1st mortgage over land & buildings				>80% to <=90%	100%
Mortgage insured by Housing New Zealand Corp				Any	20%
				444.400	174.461
Consumer loans - to individuals with loan balances less than \$40,000					
Secured by a PPSR charge over a motor vehicle/boat				Any	100%
Secured by a PPSR charge over any other asset				Any	100%
Unsecured				Any	150%
				47.996	48.195
All other loans					
Secured by a PPSR charge over a motor vehicle/boat				<=70%	100%
Secured by a PPSR charge over a motor vehicle/boat				>70%	150%
Secured by a PPSR charge over an asset not a motor vehicle/boat				Any	150%
Unsecured				Any	200%
				57.988	79.925
Total net loan book (after provisions, deductions and deposit set offs)				685.903	443.622
Value of qualifying deposits used as set off against loans				0.710	
Cash				0%	-
New Zealand registered bank deposits and securities				20%	49.098
Trade and receivables				350%	0.123
Operating Leases				175%	1.626
Fixed Assets				350%	11.652
Intangibles				0%	-
All other assets				350%	0.792
Total assets				(A) 940.794	(B) 506.912
Market and operational risk requirement				(A+B)/2 x 0.175	(C) 126.674
Total Exposures				B+C	(D) 633.586
Capital ratio as at 31 December 2020				E/D	13.90%

2. RELATED PARTY EXPOSURE

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

Regulatory Capital	(A)	88,043,376
NBS related party exposure		
Related party loans	(B)	1,998,000
Related party exposure % of capital	$C=B/A$	2.27%

3. LIQUIDITY COMPLIANCE

		January 2021	February 2021	March 2021
Total liquid assets	(A)	247,831,088	247,831,088	247,831,088
PLUS:				
All expected inflows due within each month	(B)	8,449,284	5,117,705	3,609,747
LESS:				
Principal of the securities payable during the next three months	(C)	42,401,338	50,112,515	114,618,204
40% of term deposits due within each month	$D=C \times 40\%$	16,960,535	20,045,006	45,847,282
Committed undrawn lending facilities				
Flexible facilities	(E)	44,326,127	44,326,127	44,326,127
Loans approved but undrawn	(F)	39,564,468	39,564,468	39,564,468
	$G=E+F$	83,890,595	83,890,595	83,890,595
40% of committed undrawn lending facilities	$H=G \times 40\%$	33,556,238	33,556,238	33,556,238
Mismatch dollar amount	$I=B-D-H$	42,067,489	48,483,539	75,793,772
115%	$J=I \times 115\%$	48,377,613	55,756,070	87,162,838
Available liquidity	$K=A-J$	199,453,476	192,075,018	160,668,250
Liquidity as a % of deficit	$L=A/J$	512%	444%	284%

Basis of preparation:

The ratios are calculated in accordance with the Regulations. The calculations are based on unaudited book values as at 31 December 2020.