

Nelson Building Society

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Local Currency

Long-Term IDR	BB+
Short-Term IDR	B

Viability Rating	bb+
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Foreign-Currency IDR	AA
Long-Term Local-Currency IDR	AA+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Financial Data

Nelson Building Society

	31 Mar	31 Mar
Total assets (USDm)	344.3	315.0
Total assets (NZDm)	459.7	414.2
Total equity (NZDm)	30.7	26.2
Operating profit (NZDm)	3.6	3.1
Published net income (NZDm)	2.6	2.2
Comprehensive income (NZDm)	2.6	2.2
Operating ROAA (%)	0.8	0.8
Operating ROAE (%)	12.6	12.7
Internal capital generation (%)	8.4	6.7
Regulatory capital ratio (%)	10.3	9.8
Tangible common equity/tangible assets (%)	6.6	6.2

Related Research

[Nelson Building Society - Ratings Navigator \(September 2015\)](#)

[Peer Review: New Zealand Regional Lenders \(September 2015\)](#)

[Fitch Macro-Pru Tools Positive: Policy, Macro Risks Remain \(August 2015\)](#)

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Key Rating Drivers

Modest Franchise Constrains Rating: Nelson Building Society (NBS) is a small, mutual and regionally focused financial institution with limited pricing power. However, the society benefits from strong local community support in its home region, providing some competitive advantage.

Adequate Capital: NBS has a small absolute capital base by international standards, and its mutual ownership structure limits its ability to raise new common equity. Strong growth in recent years has placed pressure on the society's capital ratios. These ratios rank lower than those of its domestic peers, but compare more favourably against some international peers.

Residential Mortgage Focus: The society adopts a relatively conservative approach to lending. The majority of the loan book is comprised of residential mortgages, most of which have a loan-to-value ratio (LVR) less than 80%. Growth has been achieved organically via branch expansion and focus has been given to attracting experienced lending managers.

Profitability Growth to Slow: Fitch expects NBS's profitability to remain solid in FY16 however the rate of growth is expected to slow. Increasing competition and an easing interest rate cycle are likely to place some pressure on margins and offset the benefits from loan and asset growth.

Robust Asset Quality: NBS's asset quality ratios are strong and reflective of its conservative risk appetite, focus on residential mortgages and effective arrears management. Fitch expects NBS's asset quality to remain relatively stable in FY16. However, NBS's small size exposes it to a high degree of single name and geographical concentration risk

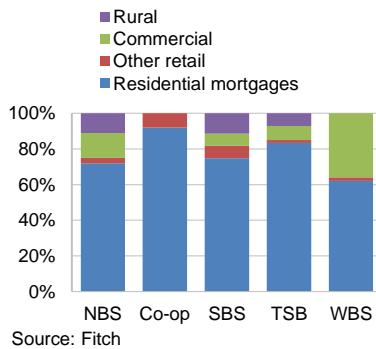
Stable Depositor Base: The society's lending activities are wholly funded by its customer deposits. Fitch does not expect a material change to NBS's funding composition in the short term. NBS continues to benefit from its loyal customer base resulting in a high deposit retention rate of around 90%. NBS does not utilise any wholesale funding or have access to the central bank repo facility.

Rating Sensitivities

Small Franchise and Capital Base: Positive rating action is unlikely due to NBS's small absolute capital base, small franchise, geographical and single-name concentration risks, and limited access to additional liquidity sources such as the central bank repo facility.

Weakened Risk Appetite: NBS's ratings could come under pressure if there were an unexpected deterioration in asset quality, or if growth were to come at the expense of the society's conservative risk appetite – resulting in weaker capitalisation, asset quality, earnings or funding position.

Figure 1
Loan Book Split
At end-March 2015



Operating Environment

NBS's franchise is mostly in the upper region of New Zealand's South Island, including Nelson, Tasman, the West Coast, Golden Bay and to a lesser extent, Canterbury. GDP per capita in some of these areas are lower than the national average, although the region has a larger proportion of retired residents. Nelson is the smallest region by land area, but acts as a transport hub for the region due to its large port and active commercial airport.

Further details of the operating environment can be found in Fitch's Special Report, *Peer Review: New Zealand Regional Lenders*, a link to which can be found on the front page.

Company Profile

NBS's market share in the national context is small, comprising less than 0.2% of system assets and deposits. The bank has a small franchise of eight branches. NBS's pricing power is limited and it operates in a competitive market, although its competitive position has been supported by its service focus proposition and community links developed through local sponsorships and grants.

NBS business model is simple, offering traditional retail banking services to retail and SME customers, although its primary focus is residential mortgages. The society provides its service through its branch network and digital channels. NBS also receives commissions and fee income for insurance referrals from a third-party product provider.

Management and Strategy

NBS's management team is long serving, and consists of the General Manager, Assistant General Manager and accountant whom appear suitably qualified. The board comprises of five directors. The society's strategic objectives have remained relatively consistent, with some tweaks made over time to adapt to the environment.

The society is community focused, building its brand through its involvement and support of the local community. NBS intends to achieve growth through organic means, and management execution to date has been sound. Growth and profitability have exceeded management expectations in recent years, while the strong loan growth does not appear to have been at the expense of weakened underwriting criteria.

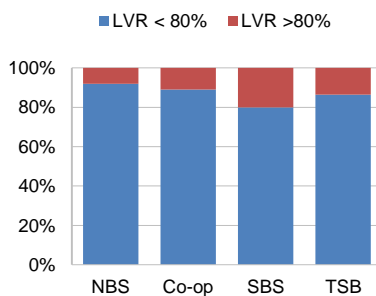
Risk Appetite

NBS's loan underwriting is fairly conservative, similar to some of its peers. At FYE15, 72% of the loan book consisted of residential mortgages, of which 92% had a LVR less than 80%. NBS says that serviceability is used as its primary assessment method, with collateral used as a backstop to limit losses. The society states all loans are assessed on an amortising basis with an interest rate buffer of 150bp over the offered rate, and a maximum of 35% of a borrower's gross annual income is used when assessing serviceability.

The society imposes LVR caps on loans depending on the collateral type – 80% for residential, 60% for commercial and rural. NBS's commercial and rural exposures comprise 25% of the loan book. Most of the commercial exposures relate to commercial property investment loans. NBS says that its agricultural exposures, including dairy, are generally lowly geared because its customers are usually multi-generational farmers who have reduced their property related debt over many years.

NBS's risk controls, reporting and processes appear adequate for the size and nature of its core business. The board and general manager are responsible for overall performance and risk management across the business. There is no dedicated risk manager in place.

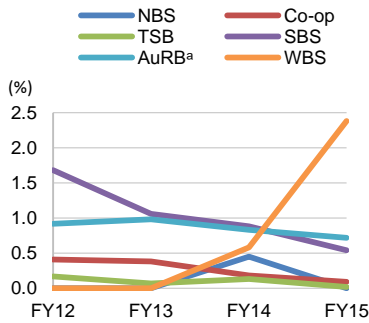
Figure 2
Residential Mortgages
At end-March 2015



Related Criteria

[Global Bank Rating Criteria \(March 2015\)](#)

Figure 3
Impaired Loan Ratio



^a Australian Regional Banks at Dec 14
Source: Banks, Fitch

Lending authorities are delegated by position and experience – branch managers can typically approve loans up to NZD500,000 with any exceptions to policy to be handled by the credit manager jointly with the general or assistant general manager. Credit assessment is completed manually, given the small volume of loans processed.

NBS's growth has been achieved organically, assisted by new branch openings in recent years. The society continues to target areas around its home market. Underwriting standards appear to have been maintained despite strong growth over the last four years, and Fitch believes the society will continue to target reasonable levels of growth in the short term.

Market risk is limited, mostly existing through interest-rate risk, which is monitored quarterly via the treasury committee. NBS is not exposed to foreign-exchange risk.

Financial Profile

Asset Quality

Figure 4
Strong Ratios, Concentration Risks Evident

(%)	FYE15	FYE14	FYE13	FYE12
Growth of gross loans	13.3	10.2	13.6	13.2
Impaired loans/gross loans	0.0	0.5	0.0	0.0
Reserves for impaired loans/impaired loans	n.a.	60.4	n.a.	n.a.
Impaired loans less reserves for impaired loans/Fitch	n.a.	2.2	n.a.	n.a.
Core Capital				
Loan-impairment charges/average gross loans	0.1	0.0	0.1	0.1

Source: NBS, Fitch

Fitch expects NBS's asset-quality ratios to remain strong in FY16, reflecting the society's prudent underwriting approach and strong local knowledge. Asset quality is also likely to be supported by the falling-interest-rate environment and a labour market which is still sound. Rising unemployment or a shock to the economy remain the key risks to asset quality. Fitch does not believe these scenarios to be likely in the short term, and that NBS would be able to manage a moderate increase in its impaired loans and impairment charges.

NBS's small absolute size and relatively large loan sizes leave it susceptible to deterioration in a small number of loans – as demonstrated in FY14 – which was the result of two exposures. Single-name and geographic-concentration risk is evident for NBS; the 20 largest exposures accounted for 166% of Fitch Core Capital at FYE15. For this reason, the society closely manages its past due loans which were NZD0.4m at FYE15, comparable with the prior year.

Earnings and Profitability

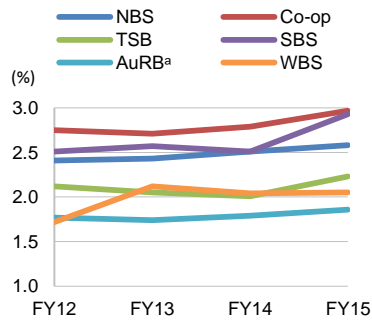
Figure 7
Sound Profitability Required for Growth

(%)	FYE15	FYE14	FYE13	FYE12
Net interest income/average earning assets	2.6	2.5	2.4	2.4
Non-interest expense/gross revenues	67.4	67.1	74.3	72.7
Loans and securities impairment charges/pre-impairment operating profit	9.4	13.5	10.7	11.1
Operating profit/average total assets	0.8	0.8	0.6	0.6
Net income/average equity	9.1	9.1	7.3	8.7

Source: NBS, Fitch

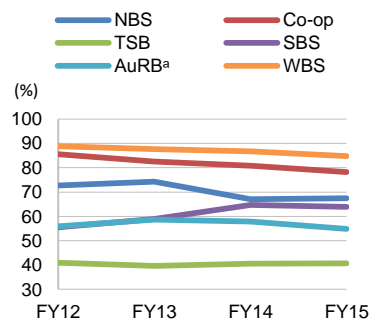
Fitch expects NBS's earnings and profitability growth to slow in FY16 – this follows 17% growth in operating profit in FY15, with cumulative growth of 77% over FY12-FY15. Loan growth and operating efficiency gains are likely to be offset by increasing competition and falling interest rates. Other revenue sources included transactional fee and insurance commissions which contributed 9% of income after interest expense at FYE15.

Figure 5
Net Interest Margin



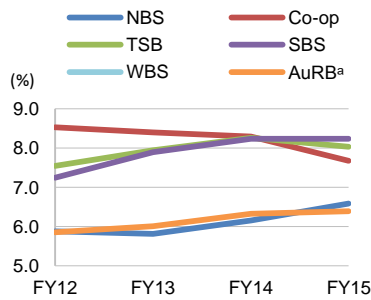
^a Australian Regional Banks at Dec 14
Source: Banks, Fitch

Figure 6
Cost to Income Ratio



^a Australian Regional Banks at Dec 14
Source: Banks, Fitch

Figure 8
**Tangible Common Equity/
Tangible Assets**



^a Australian Regional Banks at Dec 14
Source: Banks, Fitch

In Fitch's opinion, NBS's weaker capitalisation relative to peers requires it to maintain a sound earnings profile in order to fund its loan growth.

The society's net interest margin is towards the mid-to-upper end relative to local and international peers, assisted by a decline in funding costs and reliance on customer referrals as the main source of new business. At FYE15, the cost-to-income ratio remained stable at 67%, which is high relative to larger local and international peers but not uncommon for mutual institutions.

Capitalisation and Leverage

Figure 9
Ratios Improving, High Buffers Appropriate

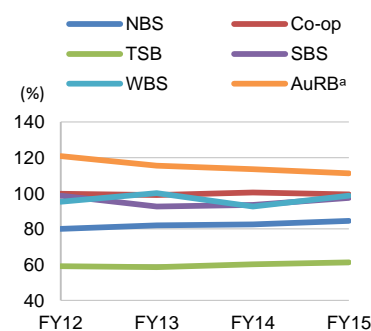
(%)	FYE15	FYE14	FYE13	FYE12
Tangible common equity/tangible assets	6.6	6.2	5.8	5.9
Total Regulatory Capital Ratio	10.3	9.8	9.7	10.0
Internal capital generation	8.4	6.7	5.2	6.3

Source: NBS, Fitch

The agency believes high capital ratios are suitable for mutuals such as NBS which have limited access to fresh common equity and high-single-name and geographical concentration than some of its larger peers. Fitch expects NBS's capital ratios to remain largely stable in FY16. In Fitch's opinion, NBS's capitalisation is adequate but remains a rating constraint. Its un-risk-weighted ratios are lower relative to domestic peers but above those of some international peers.

NBS's equity increased by 17% in FY15, its capital position bolstered by the net issuance of preference shares (up 21%) and higher retained earnings (up 15%). In total, the preference shares comprised 47% of NBS's capital base, which is towards the upper regulatory limit of 50%. These preference shares qualify as regulatory capital, carry no voting rights, no cumulative right to interest (dividends), rank behind member deposits, and are only redeemable at the option of NBS.

Figure 10
Loan to Deposit Ratio



^a Australian Regional Banks at Dec 14
Source: Banks, Fitch

Funding and Liquidity

Figure 11
Stable Depositor Base

(%)	FYE15	FYE14	FYE13	FYE12
Loans/customer deposits	84.5	82.5	82.1	80.1
Customer deposits/total funding (excluding derivatives)	100.0	100.0	100.0	100.0

Source: NBS, Fitch

Fitch considers NBS's funding position as sound, and expects its funding profile (consisting wholly of customer deposits) to remain stable in FY16. The society benefits from a stable deposit base with deposit rollover rates of around 90%. There is a modest level of concentration, with the 20 largest depositors accounting for 10% of total deposits. Geographic concentration is relatively high – consistent with the loan portfolio. The society did not have any wholesale funding outstanding at FYE15; however, its size suggests its ability to access the market would be limited.

NBS's liquidity appears to be appropriately managed. The society's trust deed requires that it hold 15% of its total tangible assets (less reserves) in liquid assets. At FYE15, NBS's ratio stood at 21% and its liquid assets consisted of interbank deposits and cash reserves. We believe strong liquid asset holdings are important as NBS does not have access to the central bank repo facility.

Peer Analysis

Figure 12
Domestic Peer Data FYE15

(%)	NBS	Co-op	WBS	SBS
Growth of gross loans	13.30	10.86	16.95	4.81
Impaired loans/gross loans	0.00	0.09	2.38	0.54
Reserves for impaired loans/impaired loans	n.a.	300.08	5.79	139.16
Impaired loans less reserves for impaired loans/Fitch Core Capital	n.a.	-2.06	14.51	-2.26
Loan impairment charges/average gross loans	0.11	0.07	0.06	0.52
Net interest income/average earning assets	2.58	2.91	2.05	2.93
Non-interest expense/gross revenues	67.41	78.24	84.8	63.87
Loans and securities impairment charges/pre-impairment operating profit	9.42	6.97	13.49	31.43
Operating profit/average total assets	0.82	0.78	0.30	0.94
Operating profit/risk-weighted assets	n.a.	1.57	n.a.	1.56
Net income/average equity	9.06	6.05	0.66	8.12
Fitch core capital/weighted risk	n.a.	15.15	n.a.	13.15
Fitch eligible capital/weighted risks	n.a.	15.15	n.a.	13.15
Tangible common equity/tangible assets	6.59	7.68	12.90	8.24
Common equity tier 1 ratio	n.a.	16.40	n.a.	13.73
Internal capital generation	8.39	5.91	0.66	7.98
Loans/customer deposits	84.50	99.44	98.74	97.36
Interbank assets/interbank liabilities	n.a.	n.a.	n.a.	n.a.
Customer deposits/total funding (excluding derivatives)	100.0	96.26	99.62	95.91

Source: Banks, Fitch

Annex**Peer Group Description**

AuRB stands for Australian Regional bank peers which include Bendigo and Adelaide Bank Limited (a-), Bank of Queensland Limited (a-), Heritage Bank Limited (bbb+), and Police Bank Limited (bbb+).

**Nelson Building Society
Income Statement**

	31 Mar 2015			31 Mar 2014		31 Mar 2013		31 Mar 2012	
	Year End USDm Unqualified	Year End NZDth Unqualified	As % of Earning Assets	Year End NZDth Unqualified	As % of Earning Assets	Year End NZDth Unqualified	As % of Earning Assets	Year End NZDth Unqualified	As % of Earning Assets
1. Interest Income on Loans	17.8	23,734.3	5.24	21,263.8	5.20	19,996.4	5.39	17,960.2	5.36
2. Other Interest Income	3.1	4,145.6	0.92	3,768.6	0.92	3,169.1	0.85	3,462.5	1.03
3. Dividend Income	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
4. Gross Interest and Dividend Income	20.9	27,879.9	6.16	25,032.4	6.12	23,165.5	6.25	21,422.7	6.40
5. Interest Expense on Customer Deposits	12.2	16,307.6	3.60	14,849.0	3.63	14,176.9	3.82	13,509.2	4.03
6. Other Interest Expense	0.3	466.5	0.10	408.3	0.10	418.5	0.11	357.9	0.11
7. Total Interest Expense	12.6	16,774.1	3.70	15,257.3	3.73	14,595.4	3.93	13,867.1	4.14
8. Net Interest Income	8.3	11,105.8	2.45	9,775.1	2.39	8,570.1	2.31	7,555.6	2.26
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
12. Net Insurance Income	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
13. Net Fees and Commissions	0.6	748.3	0.17	697.9	0.17	568.2	0.15	585.0	0.17
14. Other Operating Income	0.2	297.6	0.07	295.0	0.07	195.6	0.05	227.4	0.07
15. Total Non-Interest Operating Income	0.8	1,045.9	0.23	992.9	0.24	763.8	0.21	812.4	0.24
16. Personnel Expenses	2.5	3,294.5	0.73	3,127.5	0.77	2,975.5	0.80	2,431.4	0.73
17. Other Operating Expenses	3.7	4,897.5	1.08	4,095.3	1.00	3,958.6	1.07	3,655.8	1.09
18. Total Non-Interest Expenses	6.1	8,192.0	1.81	7,222.8	1.77	6,934.1	1.87	6,087.2	1.82
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
20. Pre-Impairment Operating Profit	3.0	3,959.7	0.87	3,545.2	0.87	2,399.8	0.65	2,280.8	0.68
21. Loan Impairment Charge	0.3	373.1	0.08	477.8	0.12	256.8	0.07	252.1	0.08
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
23. Operating Profit	2.7	3,586.6	0.79	3,067.4	0.75	2,143.0	0.58	2,028.7	0.61
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
25. Non-recurring Income	n.a.	n.a.	-	0.0	0.00	0.0	0.00	221.7	0.07
26. Non-recurring Expense	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
29. Pre-tax Profit	2.7	3,586.6	0.79	3,067.4	0.75	2,143.0	0.58	2,250.4	0.67
30. Tax expense	0.8	1,009.5	0.22	874.1	0.21	608.6	0.16	578.1	0.17
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
32. Net Income	1.9	2,577.1	0.57	2,193.3	0.54	1,534.4	0.41	1,672.3	0.50
33. Change in Value of AFS Investments	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
34. Revaluation of Fixed Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
35. Currency Translation Differences	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
37. Fitch Comprehensive Income	1.9	2,577.1	0.57	2,193.3	0.54	1,534.4	0.41	1,672.3	0.50
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
39. Memo: Net Income after Allocation to Non-controlling Interests	1.9	2,577.1	0.57	2,193.3	0.54	1,534.4	0.41	1,672.3	0.50
40. Memo: Common Dividends Related to the Period	n.a.	n.a.	-	435.0	0.11	398.6	0.11	404.0	0.12
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00

Exchange rate

USD1 = NZD1.33510

USD1 = NZD1.15420

USD1 = NZD1.19500

USD1 = NZD1.22350

**Nelson Building Society
Balance Sheet**

	31 Mar 2015			31 Mar 2014			31 Mar 2013			31 Mar 2012		
	Year End USDm	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets			
Assets												
A. Loans												
1. Residential Mortgage Loans	262.2	350,012.4	76.14	308,378.1	74.45	279,162.1	74.21	245,708.7	72.29			
2. Other Mortgage Loans	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
3. Other Consumer/ Retail Loans	8.4	11,215.5	2.44	10,448.3	2.52	10,184.6	2.71	9,006.3	2.65			
4. Corporate & Commercial Loans	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
5. Other Loans	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
6. Less: Reserves for Impaired Loans	0.6	750.0	0.16	860.0	0.21	400.0	0.11	330.0	0.10			
7. Net Loans	270.0	360,477.9	78.41	317,966.4	76.76	288,946.7	76.81	254,385.0	74.84			
8. Gross Loans	270.6	361,227.9	78.58	318,826.4	76.97	289,346.7	76.91	254,715.0	74.93			
9. Memo: Impaired Loans included above	n.a.	n.a.	-	1,424.4	0.34	0.0	0.00	0.0	0.00			
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
B. Other Earning Assets												
1. Loans and Advances to Banks	69.2	92,361.9	20.09	90,732.4	21.90	80,986.8	21.53	73,167.9	21.53			
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
3. Trading Securities and at FV through Income	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
4. Derivatives	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
5. Available for Sale Securities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
6. Held to Maturity Securities	n.a.	n.a.	-	0.0	0.00	1,000.0	0.27	7,264.9	2.14			
7. Equity Investments in Associates	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
8. Other Securities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
9. Total Securities	n.a.	n.a.	-	n.a.	-	1,000.0	0.27	7,264.9	2.14			
10. Memo: Government Securities included Above	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
11. Memo: Total Securities Pledged	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
12. Investments in Property	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
13. Insurance Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
14. Other Earning Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
15. Total Earning Assets	339.2	452,839.8	98.51	408,698.8	98.67	370,933.5	98.60	334,817.8	98.50			
C. Non-Earning Assets												
1. Cash and Due From Banks	1.7	2,297.0	0.50	1,189.1	0.29	1,219.3	0.32	1,081.1	0.32			
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
3. Foreclosed Real Estate	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
4. Fixed Assets	2.4	3,237.8	0.70	2,991.3	0.72	3,284.3	0.87	3,302.1	0.97			
5. Goodwill	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
6. Other Intangibles	0.3	454.2	0.10	667.6	0.16	108.2	0.03	59.3	0.02			
7. Current Tax Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
8. Deferred Tax Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
9. Discontinued Operations	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
10. Other Assets	0.7	877.0	0.19	663.9	0.16	658.2	0.17	654.7	0.19			
11. Total Assets	344.3	459,705.8	100.00	414,210.7	100.00	376,203.5	100.00	339,915.0	100.00			
Liabilities and Equity												
D. Interest-Bearing Liabilities												
1. Customer Deposits - Current	59.8	79,830.6	17.37	78,486.8	18.95	57,043.8	15.16	50,361.5	14.82			
2. Customer Deposits - Savings	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
3. Customer Deposits - Term	260.4	347,674.9	75.63	307,941.2	74.34	295,518.4	78.55	267,830.6	78.79			
4. Total Customer Deposits	320.2	427,505.5	93.00	386,428.0	93.29	352,562.2	93.72	318,192.1	93.61			
5. Deposits from Banks	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
6. Repos and Cash Collateral	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
8. Total Money Market and Short-term Funding	320.2	427,505.5	93.00	386,428.0	93.29	352,562.2	93.72	318,192.1	93.61			
9. Senior Unsecured Debt (original maturity > 1 year)	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
10. Subordinated Borrowing	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
11. Covered Bonds	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
12. Other Long-term Funding	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
13. Total LT Funding (original maturity > 1 year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
14. Derivatives	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
15. Trading Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
16. Total Funding	320.2	427,505.5	93.00	386,428.0	93.29	352,562.2	93.72	318,192.1	93.61			
E. Non-Interest Bearing Liabilities												
1. Fair Value Portion of Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
2. Credit impairment reserves	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
3. Reserves for Pensions and Other	0.2	265.3	0.06	220.4	0.05	198.2	0.05	182.7	0.05			
4. Current Tax Liabilities	0.3	352.3	0.08	420.7	0.10	171.4	0.05	275.0	0.08			
5. Deferred Tax Liabilities	0.0	13.8	0.00	98.2	0.02	222.8	0.06	230.5	0.07			
6. Other Deferred Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
7. Discontinued Operations	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
8. Insurance Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
9. Other Liabilities	0.6	846.4	0.18	888.3	0.21	1,048.1	0.28	999.8	0.29			
10. Total Liabilities	321.3	428,983.3	93.32	388,055.6	93.69	354,202.7	94.15	319,880.1	94.11			
F. Hybrid Capital												
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
G. Equity												
1. Common Equity	22.3	29,721.9	6.47	25,154.5	6.07	21,000.2	5.58	19,034.3	5.60			
2. Non-controlling Interest	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
3. Securities Revaluation Reserves	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00			
5. Fixed Asset Revaluations and Other Accumulated OCI	0.7	1,000.6	0.22	1,000.6	0.24	1,000.6	0.27	1,000.6	0.29			
6. Total Equity	23.0	30,722.5	6.68	26,155.1	6.31	22,000.8	5.85	20,034.9	5.89			
7. Total Liabilities and Equity	344.3	459,705.8	100.00	414,210.7	100.00	376,203.5	100.00	339,915.0	100.00			
8. Memo: Fitch Core Capital	22.7	30,268.3	6.58	25,487.5	6.15	21,892.6	5.82	19,975.6	5.88			
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			

USD1 = NZD1.33510

USD1 = NZD1.15420

USD1 = NZD1.19500

USD1 = NZD1.22350

Exchange rate

Nelson Building Society Summary Analytics

	31 Mar 2015 Year End	31 Mar 2014 Year End	31 Mar 2013 Year End	31 Mar 2012 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	6.98	6.99	7.35	7.49
2. Interest Expense on Customer Deposits/ Average Customer Deposits	4.01	4.02	4.23	4.54
3. Interest Income/ Average Earning Assets	6.47	6.42	6.56	6.84
4. Interest Expense/ Average Interest-bearing Liabilities	4.12	4.13	4.35	4.66
5. Net Interest Income/ Average Earning Assets	2.58	2.51	2.43	2.41
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.49	2.39	2.36	2.33
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.58	2.51	2.43	2.41
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	8.61	9.22	8.18	9.71
2. Non-Interest Expense/ Gross Revenues	67.41	67.08	74.29	72.74
3. Non-Interest Expense/ Average Assets	1.87	1.83	1.94	1.91
4. Pre-impairment Op. Profit/ Average Equity	13.92	14.72	11.42	11.86
5. Pre-impairment Op. Profit/ Average Total Assets	0.91	0.90	0.67	0.72
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	9.42	13.48	10.70	11.05
7. Operating Profit/ Average Equity	12.61	12.74	10.20	10.55
8. Operating Profit/ Average Total Assets	0.82	0.78	0.60	0.64
9. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	9.06	9.11	7.30	8.70
2. Net Income/ Average Total Assets	0.59	0.55	0.43	0.53
3. Fitch Comprehensive Income/ Average Total Equity	9.06	9.11	7.30	8.70
4. Fitch Comprehensive Income/ Average Total Assets	0.59	0.55	0.43	0.53
5. Taxes/ Pre-tax Profit	28.15	28.50	28.40	25.69
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	6.59	6.16	5.82	5.88
4. Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
5. Total Regulatory Capital Ratio	10.33	9.80	9.69	10.03
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	6.68	6.31	5.85	5.89
8. Cash Dividends Paid & Declared/ Net Income	n.a.	19.83	25.98	24.16
9. Internal Capital Generation	8.39	6.72	5.16	6.33
E. Loan Quality				
1. Growth of Total Assets	10.98	10.10	10.68	14.67
2. Growth of Gross Loans	13.30	10.19	13.60	13.15
3. Impaired Loans/ Gross Loans	n.a.	0.45	n.a.	n.a.
4. Reserves for Impaired Loans/ Gross Loans	0.21	0.27	0.14	0.13
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	60.38	n.a.	n.a.
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	n.a.	2.21	n.a.	n.a.
7. Impaired Loans less Reserves for Impaired Loans/ Equity	n.a.	2.16	n.a.	n.a.
8. Loan Impairment Charges/ Average Gross Loans	0.11	0.16	0.09	0.11
9. Net Charge-offs/ Average Gross Loans	0.14	0.01	0.08	0.06
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	n.a.	0.45	n.a.	n.a.
F. Funding and Liquidity				
1. Loans/ Customer Deposits	84.50	82.51	82.07	80.05
2. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	100.00	100.00	100.00	100.00
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

Nelson Building Society
Reference Data

	31 Mar 2015			31 Mar 2014		31 Mar 2013		31 Mar 2012	
	Year End USDm	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets	Year End NZDth	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
3. Guarantees	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
5. Committed Credit Lines	6.5	8,612.7	1.87	10,934.9	2.64	0.0	0.00	0.0	0.00
6. Other Contingent Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
7. Total Assets under Management	n.a.	n.a.	-	425,145.6	102.64	376,203.5	100.00	339,915.0	100.00
B. Average Balance Sheet									
Average Loans	254.7	340,027.2	73.97	304,086.6	73.41	272,030.9	72.31	239,910.7	70.58
Average Earning Assets	322.6	430,769.3	93.71	389,816.2	94.11	352,875.7	93.80	313,287.1	92.17
Average Assets	327.3	436,958.3	95.05	395,207.1	95.41	358,059.3	95.18	318,168.6	93.60
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Average Interest-Bearing Liabilities	304.8	406,966.8	88.53	369,495.1	89.20	335,377.2	89.15	297,275.6	87.46
Average Common equity	20.6	27,438.2	5.97	23,077.4	5.57	20,017.3	5.32	18,223.2	5.36
Average Equity	21.3	28,438.8	6.19	24,078.0	5.81	21,017.9	5.59	19,223.8	5.66
Average Customer Deposits	304.8	406,966.8	88.53	369,495.1	89.20	335,377.2	89.15	297,275.6	87.46
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances > 5 years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Debt Securities < 3 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Debt Securities 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Debt Securities 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Debt Securities > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Retail Deposits > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Other Deposits < 3 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Other Deposits 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Other Deposits 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Other Deposits > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Deposits from Banks < 3 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Deposits from Banks > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Senior Debt Maturing < 3 months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Total Subordinated Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
D. Risk Weighted Assets									
1. Risk Weighted Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
2. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
3. Fitch Adjusted Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
E. Equity Reconciliation									
1. Equity	23.0	30,722.5	6.68	26,155.1	6.31	22,000.8	5.85	20,034.9	5.89
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
4. Published Equity	23.0	30,722.5	6.68	26,155.1	6.31	22,000.8	5.85	20,034.9	5.89
F. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	23.0	30,722.5	6.68	26,155.1	6.31	22,000.8	5.85	20,034.9	5.89
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	0.3	454.2	0.10	667.6	0.16	108.2	0.03	59.3	0.02
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	22.7	30,268.3	6.58	25,487.5	6.15	21,892.6	5.82	19,975.6	5.88
10. Eligible weighted Hybrid capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange Rate

USD1 = NZD1.33510

USD1 = NZD1.15420

USD1 = NZD1.19500

USD1 = NZD1.22350

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