

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	4
Support Rating Floor	B

Sovereign Risk

Long-Term Foreign-Currency IDR	AA
Short-Term Foreign-Currency IDR	F1+
Long-Term Local-Currency IDR	AA+
Country Ceiling	AAA

Outlooks

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

Financial Data

Nelson Building Society

	31 Mar 12	31 Mar 11
Total assets (USDm)	277.8	226.1
Total assets (NZDm)	339.9	296.4
Total equity (NZDm)	20.0	18.4
Operating profit (NZDm)	2.0	2.0
Published net income (NZDm)	1.7	1.3
Comprehensive income (NZDm)	1.7	1.3
Operating ROAA (%)	0.64	0.71
Operating ROAE (%)	10.55	11.44
Tier 1 ratio (%)	10.03	10.03
Equity/total assets (%)	5.89	6.21

Key Rating Drivers

Good Funding and Liquidity: A loyal local customer base supports Nelson Building Society's (NBS) funding franchise. NBS was able to accommodate strong loan growth through a 15% increase in deposits in the financial year to end-March 2012 (FY12) while maintaining a conservative loans/deposits ratio of 80%. NBS had no wholesale funding exposures at FYE12 and a good liquidity position: liquid assets made up 24% of total assets.

Sound Asset Quality: NBS's prudent underwriting approach, good local knowledge and solid arrears management support its pristine asset quality. At FYE12, the society had no impaired loans (FYE11: 0.07% of gross loans), and past due loans had declined by 27% to NZD1.4m (FYE11: NZD1.9m). Conservatively, NBS provisions its past due consumer loans.

High Concentration Risk: Regional concentration limits NBS's franchise value; and as a small financial institution, large-loan exposure relative to the size of NBS's capital base is higher than that of local and international peers. However, the society's conservative underwriting approach helps mitigate these risks.

Small Absolute Capital Base: NBS's capital base is very small by international standards, although Fitch Ratings views its regulatory Tier 1 capital ratio of 10.03% and equity/total assets ratio of 5.89% as adequate in light of size and concentration risks. As a mutual institution, NBS's options for raising core capital are limited.

Healthy Pre-Impairment Operating Profitability: A solid regional presence and strong community links enable NBS to compete on a "service" proposition and partially offset pricing pressure in the market. Moreover, in FY12 it benefited from wider net interest spreads and strong loan growth, which supported NBS's healthy pre-impairment operating profitability.

In Fitch's view, NBS might be challenged to maintain its FY12 loan growth rate, given increasing competition. However, healthy interest spreads and sound asset quality are the most likely drivers of good operating profitability. A reduction in operating costs is less likely given NBS's mutual business model and service orientation.

What Could Trigger a Rating Action

Ratings Upgrade Unlikely: Positive rating action is unlikely due to NBS's small absolute capital base, limited franchise, and geographical and large-loan concentrations.

Negative Rating Action: If NBS's single-name concentration increases or the society fails to manage its expansion in a controlled manner – leading to an unexpected decline in asset quality – its rating could be downgraded. Weaker capitalisation on a non-risk-weighted basis and damage to NBS's reputation and franchise could also result in a ratings downgrade. Moreover, this could have an impact on deposits and threaten the society's good funding position.

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- Fourth-largest building society in New Zealand, located in the north-western part of the South Island
- Regional economy performing relatively well

Profile

NBS was established in 1862 in Nelson to provide housing and personal finance to members of the local communities in the Nelson and Tasman regions, and has since expanded into the West Coast. NBS was incorporated under the Building Societies Act 1965. NBS offers traditional banking services such as loans and deposits to retail and SME customers. In contrast to some of its domestic peers, NBS also offers transaction banking through its seven branches and the internet banking channel. It refers its customers to insurance and investment brokers, from which the society receives commission income for a number of large, third-party product manufacturers (eg AXA, AMP, Fidelity, Tower and AMI).

Fishing, forestry, farming, horticulture and tourism are all important industries in NBS's home market (the Nelson/Tasman/Marlborough and West Coast regions) and have performed well. Unemployment in NBS's market is amongst the lowest in the country; over the three months to end-June 2012, the unemployment rate declined to 4.7% (end-March 2012: 5.9%). This contrasts favourably to the national unemployment rate, which increased from 6.7% to 6.8% over the same period.

The solid performance of the local economy in addition to a doubling of the region's population growth following the Christchurch earthquakes has had a positive impact on the local property sector. The Real Estate Institute reported an increase in sales turnover and prices in the Nelson region to end-June 2012, up 7.0% and 4.6% year on year, respectively.

Corporate Governance

NBS is an unlisted, mutual building society, meaning that it is owned by its customers (depositors and borrowers) rather than by shareholders. Each customer has one vote, irrespective of the number of accounts held, but customers must hold a minimum of NZD500 on deposit. Consequently, NBS has strong community links.

NBS's board of directors comprises a chair, a deputy chair and three other non-executive directors, who bring a range of commercial and non-commercial experience to the group. The board meets monthly, or more frequently if required (eg to consider large-loan exposure applications). NBS's current management has been in place for over 10 years.

Performance

NBS's pre-impairment operating performance increased by a strong 12% in FY12, following solid net interest income growth of 16%, although this was partially offset by a 14% increase in operating expenses. However, loan impairment charges increased significantly, absorbing 12% of NBS's pre-impairment operating profit and leading to flat operating profit growth in FY12.

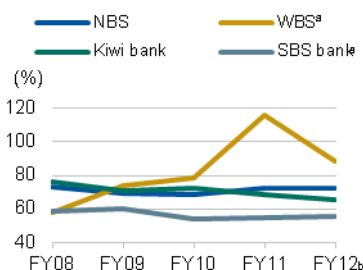
The net interest income growth was a result of robust loan growth of 13% in FY12 (FY11: negative 3%) and wider net interest spreads. The growth was also supported by the opening of a new branch in Takaka, which contributed 21% of total growth in FY12. In addition, a decline in NBS's average funding costs outpaced reduced average interest income and, combined with the society's strong loan growth, led to an improvement of its net interest margin (NIM) to 2.41% in FY12 (FY11: 2.33%). Fitch considers NBS's NIM strong relative to domestic and international peers and notes that this was achieved despite the society holding good levels of high-quality liquid assets, which carry relatively low yields.

NBS's non-interest income includes transactional fees, insurance commissions and rental income, and contributed 10% of total operating income in FY12 (FY11: 11%). In absolute terms, non-interest income was flat in FY12, excluding a one-off gain on the sale of an investment property, but is expected to decline in FY13 as NBS will no longer receive rental income.

- Strong loan growth supports NIM.
- High cost/income ratio reflects NBS's high customer service and community support initiatives
- Loan impairment charges impacted by a strengthening of the collective provision

Figure 1

NBS in Comparison: Cost/Income Ratio

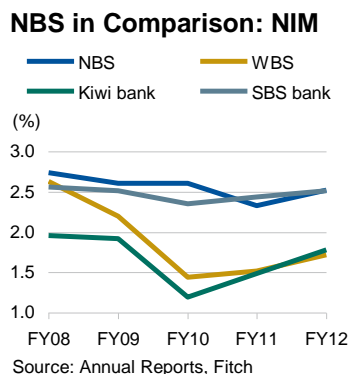


^a WBS = Wairarapa Building Society, SBS Bank = Southland Building Society (SBS Bank)
^b Kiywibank : H112
 Source: Banks' Annual Report, Fitch

Related Criteria

[Global Financial Institutions Rating Criteria \(August 2012\)](#)

Figure 2



NBS provides a range of branch-based banking services to its members and actively supports its local community through sponsorship. While this results in a relatively high cost/income ratio compared with domestic banks, it also delivers customer loyalty, which underpins a high-quality and stable retail funding base. While NBS's cost/income ratio was 73% in FY12 (FY11: 72%), it included an initial strain from the cost of establishing a new branch.

Loan impairment charges increased considerably in FY12, mainly as a conservative measure to provision the loan book where past due loans were still evident.

Prospects

Regional concentration ties NBS's performance outlook to local developments and to date the local economy has performed relatively well. Moreover, the relocation of residents from Christchurch following the earthquakes appears to have bolstered population growth and the local housing market. However, a low credit growth environment and well-capitalised banking system are intensifying competition amongst lenders for loans and more onerous regulatory (liquidity) requirements for retail deposits.

Importantly, NBS's strong local presence and its conservative underwriting and operating approach position the society well to meet competitive pressures. NBS competes and differentiates itself through its focus on "personal service", and as a result has achieved profitable above-system growth. Fitch does not expect the society to chase unprofitable business.

Risk Management

NBS's risk management 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; however, a credit manager and three lending administrators report to the assistant general manager. The credit manager also reports to the board via the general manager on a monthly basis. In 2009, NBS set up a treasury committee, which meets quarterly and monitors interest rate risk.

Credit Risk

NBS's largest risk is credit risk, and the society's loan book accounted for 75% of total assets at FYE12. Credit risk also arises through interbank loans (22% of total assets), a held-to-maturity securities portfolio (2%), other assets, including cash reserves (1%), and NZD8m in commitments such as approved but undrawn loans. NBS does not use underwriting models, but benefits from close links to its home region when assessing risk.

There is a degree of geographical and single-name concentration in NBS's loan book, although the society's familiarity with its home region and conservative lending approach help mitigate this risk. NBS's 10 largest exposures accounted for 112% of total equity at FYE12 (FYE11: 118%).

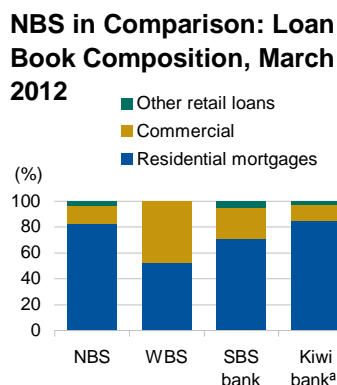
At FYE12, NBS's non-bank credit exposure included residential mortgages (82%), commercial mortgages (14%) and personal loans and consumer finance (4%). In FY12, all portfolios experienced growth, with the residential mortgage portfolio and the commercial mortgage portfolio growing by 13% and 12%, respectively – well above the national system growth rate.

NBS's commercial mortgage portfolio consists mainly of investment mortgages and includes a small but growing "agribusiness" book. NBS has traditionally had limited exposure to the riskier commercial development sector. All loans are secured by first mortgages over land and buildings, and around 80% of the commercial exposure is secured over residential property. NBS has limited involvement in business banking, and no exposure to the struggling winery sector. Average loan/value ratios (LTVs) are low, and NBS typically does not write commercial loans in excess of a 60% LTV.

In the residential mortgage portfolio, the proportion of loans exceeding an LTV of 80%

- Loan book exhibits geographical and single-name concentrations
- Market risk is adequately managed
- Small size of society increases operational risk

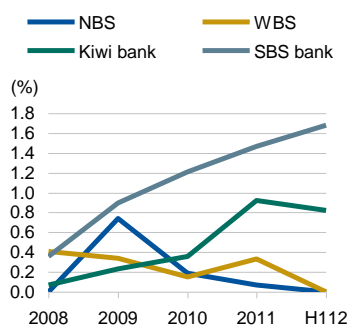
Figure 3



^a At end-December 2011
Source: Banks' Annual Reports

Figure 4

**NBS in Comparison:
Impaired Loan Ratio**



Source: Banks' Annual Report, Fitch

accounted for 14% of total residential mortgages at FYE12, although these are mainly loans originated through the “welcome home” loan programme. These loans are guaranteed by Housing New Zealand Corporation, a government-owned entity, and as a guideline the society does not lend above an 80% LTV.

NBS’s asset quality improved during the year and no loans were impaired at FYE12 (FYE11: 0.07%). Moreover, past due loans declined by 27% in FY12, were all below 90 days-plus, and were mainly well-secured residential mortgages loans. NBS actively monitors past due loans, and management begins on day one of an account registering as past due.

NBS’s consumer finance and personal lending portfolio is small (FYE12: 4% of total loans), and strict account management and collection procedures have underpinned asset quality.

NBS’s other assets consisted mainly of high-quality interbank exposures at FYE12, but also included a small held-to-maturity securities portfolio. According to its investment policy, NBS can invest in any New Zealand-registered bank or its securities with a minimum credit rating of ‘A-’.

Market Risk

The key market risk for NBS is interest rate risk arising out of asset and liability repricing. In contrast to its peers, NBS manages its interest rate risk through natural hedging – loans are managed to relatively short maturities, thereby closely matching liabilities. The maximum maturity of a fixed-rate mortgage is two years. Sensitivity analysis to a 100bp parallel movement in the yield curve, with no management action, would result in an 11% impact on NBS’s pre-impairment operating profit at FYE12 (FYE11: 10%). This is a greater impact than at some more diversified international peers. However, Fitch considers it adequate in light of NBS’s size and mutuality. NBS is not exposed to market risk from trading as securities are held-to-maturity and at FYE12 the society had no FX exposure.

Operational Risk

NBS has adequate operational risk management systems relative to its size and the low complexity of its business. The general manager is primarily responsible for internal operational risk management oversight, and Deloitte undertakes an annual external audit. Business continuity planning employs data replication (ie, back-up tapes) to ensure core functions will continue in emergencies. IT systems and support are based in Auckland, and NBS has outsourced daily clearing and settlement processes to Westpac New Zealand Limited.

Funding, Liquidity and Capital

Funding

NBS’s funding position is sound, and at FYE12 the society’s loan book was completely funded by customer deposits, of which the vast majority were classified as retail deposits. Despite strong competition for customer deposits in New Zealand, NBS was able to grow deposits by a healthy 15% in FY12 (FY11: 8%) and in excess of loan growth.

NBS enjoys strong deposit rollover rates, and at FYE12, 84% of NBS’s customer deposits were classified as term deposits and 86% were maturing within 12 months. There is modest single-name concentration of deposits, with the top 10 depositors accounting for 9% of the society’s deposit base at FYE12. NBS had no wholesale funding exposure outstanding at FYE12 but due to its small size would be unlikely to raise debt in the capital markets. However, if NBS were to require additional funding at short notice to supplement liquidity, it could use its residential mortgage book as collateral to receive central bank funding.

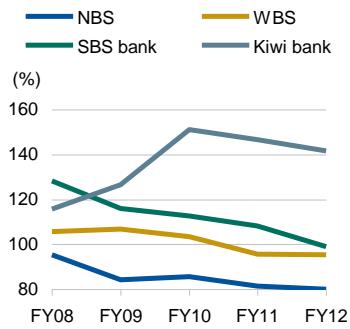
Liquidity

Liquidity is appropriately managed, and for NBS’s size and complexity, its liquidity position compares well with those of domestic peers. The trust deed of the building society require NBS

- Loan book entirely funded by customer deposits
- Strong retention rate for term deposits
- Deposit growth exceeding loan growth
- Good liquidity position
- Adequately capitalised

Figure 5

**NBS in Comparison:
Loan/Deposit Ratio**



Source: Banks' Annual Report, Fitch

to hold a minimum of 15% of its total tangible assets in liquid assets. At FYE12, NBS's liquid ratio stood at 27.4% (FYE11: 25.7%) of tangible assets, and comprises on-balance-sheet liquid assets totalling NZD82m and an undrawn bank facility of NZD6m. NBS's liquid assets consisted of interbank deposits with the major domestic banks, cash reserves and a small portfolio of highly rated held-to-maturity securities, of which around 70% were classified as subordinated. Fitch views subordinated securities as less liquid, although these only totalled NZD5m at FYE12. Liquid assets are typically short-dated, being 60 to 90 days but in some instances up to 12 months.

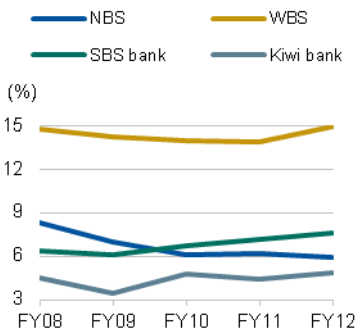
Capital

At FYE12, NBS's Tier 1 ratio and equity/total assets ratio stood at 10.03% and 5.89% respectively. In Fitch's opinion, the society is adequately capitalised, but the agency believes high capital ratios are suitable for NBS given its single-name and geographical concentrations and limited capital-raising alternatives.

Share capital increased 4% through a net issuance of subscription (preference) shares, which made up 43% of NBS's capital base at FYE12. Subscription shares are treated as equity and due to their characteristics are acceptable as capital under the trust deed. They carry no voting rights, no cumulative right to interest (dividends), rank behind member deposits, and are only redeemable at the option of NBS. Subscription shares can contribute up to 50% of NBS's capital base so the society does have some capacity to issue more, although they are a relatively expensive form of capital with a currently small investor base.

Figure 6

**NBS in Comparison:
Equity/Total Asset Ratio**



Source: Banks' Annual Report, Fitch

Retained earnings and a revaluation reserve accounted for 52% and 5%, respectively, of NBS's capital base. In Fitch's opinion, retained earnings constitute a stronger form of capital than the subscription shares and grew 14% after the payment of dividends in FY12.

**Nelson Building Society
Income Statement**

	31 Mar 2012			31 Mar 2011		31 Mar 2010		31 Mar 2009	
	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	14.7	17,960.2	5.36	16,837.5	5.77	16,705.7	6.22	19,630.0	8.02
2. Other Interest Income	2.8	3,462.5	1.03	2,985.6	1.02	2,525.9	0.94	2,520.9	1.03
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	17.5	21,422.7	6.40	19,823.1	6.79	19,231.6	7.16	22,150.9	9.05
5. Interest Expense on Customer Deposits	11.0	13,509.2	4.03	12,868.4	4.41	12,087.2	4.50	16,348.9	6.68
6. Other Interest Expense	0.3	357.9	0.11	420.7	0.14	437.7	0.16	244.0	0.10
7. Total Interest Expense	11.3	13,867.1	4.14	13,289.1	4.55	12,524.9	4.66	16,592.9	6.78
8. Net Interest Income	6.2	7,555.6	2.26	6,534.0	2.24	6,706.7	2.50	5,558.0	2.27
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	0.0	0.00	-190.0	-0.07	90.0	0.04
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	0.1	63.0	0.02	68.1	0.02	79.9	0.03	104.0	0.04
14. Other Operating Income	0.6	765.8	0.23	765.5	0.26	710.6	0.26	710.1	0.29
15. Total Non-Interest Operating Income	0.7	828.8	0.25	833.6	0.29	600.5	0.22	904.1	0.37
16. Personnel Expenses	2.0	2,431.4	0.73	2,127.2	0.73	2,024.9	0.75	1,901.7	0.78
17. Other Operating Expenses	3.0	3,655.8	1.09	3,196.7	1.10	2,965.2	1.10	2,569.1	1.05
18. Total Non-Interest Expenses	5.0	6,087.2	1.82	5,323.9	1.82	4,990.1	1.86	4,470.8	1.83
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-impairment Operating Profit	1.9	2,297.2	0.69	2,043.7	0.70	2,317.1	0.86	1,991.3	0.81
21. Loan Impairment Charge	0.2	268.5	0.08	36.7	0.01	197.1	0.07	812.1	0.33
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	1.7	2,028.7	0.61	2,007.0	0.69	2,120.0	0.79	1,179.2	0.48
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	0.2	221.7	0.07	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	1.8	2,250.4	0.67	2,007.0	0.69	2,120.0	0.79	1,179.2	0.48
30. Tax expense	0.5	578.1	0.17	679.5	0.23	650.2	0.24	392.4	0.16
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	1.4	1,672.3	0.50	1,327.5	0.46	1,469.8	0.55	786.8	0.32
33. Change in Value of AFS Investments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	1.4	1,672.3	0.50	1,327.5	0.46	1,469.8	0.55	786.8	0.32
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	1.4	1,672.3	0.50	1,327.5	0.46	1,469.8	0.55	786.8	0.32
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = NZD1.22350

USD1 = NZD1.31110

USD1 = NZD1.40885

USD1 = NZD1.77900

**Nelson Building Society
Balance Sheet**

	31 Mar 2012			31 Mar 2011		31 Mar 2010		31 Mar 2009	
	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	200.8	245,708.7	72.29	217,140.7	73.25	210,530.4	77.20	184,907.7	74.41
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	7.4	9,006.3	2.65	7,965.7	2.69	7,634.5	2.80	8,560.5	3.45
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans/ NPLs	0.3	330.0	0.10	230.0	0.08	260.0	0.10	716.4	0.29
7. Net Loans	207.9	254,385.0	74.84	224,876.4	75.86	217,904.9	79.90	192,751.8	77.57
8. Gross Loans	208.2	254,715.0	74.93	225,106.4	75.94	218,164.9	79.99	193,468.2	77.86
9. Memo: Impaired Loans included above	0.0	0.0	0.00	161.2	0.05	411.2	0.15	1,435.0	0.58
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	59.8	73,167.9	21.53	58,871.1	19.86	42,811.7	15.70	42,297.8	17.02
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Available for Sale Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Held to Maturity Securities	5.9	7,264.9	2.14	6,108.8	2.06	6,137.5	2.25	7,702.0	3.10
7. At-equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	5.9	7,264.9	2.14	6,108.8	2.06	6,137.5	2.25	7,702.0	3.10
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	0.0	0.0	0.00	1,900.0	0.64	1,900.0	0.70	2,090.0	0.84
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	273.7	334,817.8	98.50	291,756.3	98.43	268,754.1	98.54	244,841.6	98.53
C. Non-Earning Assets									
1. Cash and Due From Banks	0.9	1,081.1	0.32	557.0	0.19	481.9	0.18	395.4	0.16
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	2.7	3,302.1	0.97	3,167.3	1.07	2,720.6	1.00	2,640.6	1.06
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	0.0	59.3	0.02	101.0	0.03	156.4	0.06	76.2	0.03
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	0.5	654.7	0.19	840.5	0.28	610.9	0.22	530.0	0.21
11. Total Assets	277.8	339,915.0	100.00	296,422.1	100.00	272,723.9	100.00	248,483.8	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	41.2	50,361.5	14.82	40,993.9	13.83	38,616.0	14.16	34,901.8	14.05
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	218.9	267,830.6	78.79	235,365.1	79.40	216,160.1	79.26	195,045.0	78.49
4. Total Customer Deposits	260.1	318,192.1	93.61	276,359.0	93.23	254,776.1	93.42	229,946.8	92.54
5. Deposits from Banks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Deposits, Money Market and Short-term Funding	260.1	318,192.1	93.61	276,359.0	93.23	254,776.1	93.42	229,946.8	92.54
9. Senior Debt Maturing after 1 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Subordinated Borrowing	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Funding	260.1	318,192.1	93.61	276,359.0	93.23	254,776.1	93.42	229,946.8	92.54
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	0.1	182.7	0.05	173.0	0.06	146.5	0.05	143.0	0.06
4. Current Tax Liabilities	0.2	275.0	0.08	150.4	0.05	200.9	0.07	188.1	0.08
5. Deferred Tax Liabilities	0.2	230.5	0.07	323.1	0.11	193.6	0.07	59.3	0.02
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	0.8	999.8	0.29	1,003.9	0.34	720.0	0.26	882.3	0.36
10. Total Liabilities	261.4	319,880.1	94.11	278,009.4	93.79	256,037.1	93.88	231,219.5	93.05
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	15.6	19,034.3	5.60	17,412.1	5.87	15,686.2	5.75	16,263.7	6.55
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	0.8	1,000.6	0.29	1,000.6	0.34	1,000.6	0.37	1,000.6	0.40
6. Total Equity	16.4	20,034.9	5.89	18,412.7	6.21	16,686.8	6.12	17,264.3	6.95
7. Total Liabilities and Equity	277.8	339,915.0	100.00	296,422.1	100.00	272,723.9	100.00	248,483.8	100.00
8. Memo: Fitch Core Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = NZD1.22350

USD1 = NZD1.31110

USD1 = NZD1.40885

USD1 = NZD1.77900

**Nelson Building Society
Summary Analytics**

	31 Mar 2012	31 Mar 2011	31 Mar 2010	31 Mar 2009
	Year End	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	7.49	7.60	8.12	10.21
2. Interest Expense on Customer Deposits/ Average Customer Deposits	4.54	4.85	4.99	7.73
3. Interest Income/ Average Earning Assets	6.84	7.07	7.49	10.08
4. Interest Expense/ Average Interest-bearing Liabilities	4.66	5.00	5.17	7.84
5. Net Interest Income/ Average Earning Assets	2.41	2.33	2.61	2.53
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.33	2.32	2.53	2.16
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	2.41	2.33	2.61	2.53
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	9.89	11.31	8.22	13.99
2. Non-Interest Expense/ Gross Revenues	72.60	72.26	68.29	69.18
3. Non-Interest Expense/ Average Assets	1.91	1.87	1.91	1.94
4. Pre-impairment Op. Profit/ Average Equity	11.95	11.65	13.65	11.08
5. Pre-impairment Op. Profit/ Average Total Assets	0.72	0.72	0.89	0.86
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	11.69	1.80	8.51	40.78
7. Operating Profit/ Average Equity	10.55	11.44	12.49	6.56
8. Operating Profit/ Average Total Assets	0.64	0.71	0.81	0.51
9. Taxes/ Pre-tax Profit	25.69	33.86	30.67	33.28
10. Pre-Impairment Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
11. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	8.70	7.56	8.66	4.38
2. Net Income/ Average Total Assets	0.53	0.47	0.56	0.34
3. Fitch Comprehensive Income/ Average Total Equity	8.70	7.56	8.66	4.38
4. Fitch Comprehensive Income/ Average Total Assets	0.53	0.47	0.56	0.34
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
7. Fitch Comprehensive Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	n.a.	n.a.	n.a.	n.a.
2. Fitch Eligible Capital/ Weighted Risks	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	5.88	6.18	6.06	6.92
4. Tier 1 Regulatory Capital Ratio	10.03	10.03	n.a.	n.a.
5. Total Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	5.89	6.21	6.12	6.95
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	n.a.	n.a.	n.a.
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	8.35	7.21	8.81	4.56
E. Loan Quality				
1. Growth of Total Assets	14.67	8.69	9.76	10.90
2. Growth of Gross Loans	13.15	3.18	12.77	-0.50
3. Impaired Loans(NPLs)/ Gross Loans	0.00	0.07	0.19	0.74
4. Reserves for Impaired Loans/ Gross loans	0.13	0.10	0.12	0.37
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	142.68	63.23	49.92
6. Impaired Loans less Reserves for Imp Loans/ Equity	-1.65	-0.37	0.91	4.16
7. Loan Impairment Charges/ Average Gross Loans	0.11	0.02	0.10	0.42
8. Net Charge-offs/ Average Gross Loans	0.06	0.03	n.a.	0.13
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	0.00	0.07	0.19	0.74
F. Funding				
1. Loans/ Customer Deposits	80.05	81.45	85.63	84.14
2. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding excl Derivatives	100.00	100.00	100.00	100.00

Nelson Building Society
Reference Data

	31 Mar 2012			31 Mar 2011		31 Mar 2010		31 Mar 2009	
	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 Securitised Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	277.8	339,915.0	100.00	296,422.1	100.00	272,723.9	100.00	248,483.8	100.00
8. Memo: Total Weighted Risks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet									
Average Loans	196.1	239,910.7	70.58	221,635.7	74.77	205,816.6	75.47	192,256.7	77.37
Average Earning Assets	256.1	313,287.1	92.17	280,255.2	94.55	256,797.9	94.16	219,814.8	88.46
Average Assets	260.0	318,168.6	93.60	284,573.0	96.00	260,603.9	95.56	230,700.3	92.84
Average Managed Securitised Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	243.0	297,275.6	87.46	265,567.6	89.59	242,361.5	88.87	211,550.3	85.14
Average Common equity	14.9	18,223.2	5.36	16,549.2	5.58	15,975.0	5.86	16,972.6	6.83
Average Equity	15.7	19,223.8	5.66	17,549.8	5.92	16,975.6	6.22	17,973.4	7.23
Average Customer Deposits	243.0	297,275.6	87.46	265,567.6	89.59	242,361.5	88.87	211,550.3	85.14
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
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.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
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.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	16.4	20,034.9	5.89	18,412.7	6.21	16,686.8	6.12	17,264.3	6.95
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.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	16.4	20,034.9	5.89	18,412.7	6.21	16,686.8	6.12	17,264.3	6.95
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Non-loss-absorbing non-controlling interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other intangibles	0.0	59.3	0.02	101.0	0.03	156.4	0.06	76.2	0.03
6. Deferred tax assets deduction	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Net asset value of insurance subsidiaries	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. First loss tranches of off-balance sheet securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Fitch Core Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Eligible Hybrid Capital Limit	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange Rate

USD1 = NZD1.22350

USD1 = NZD1.31110

USD1 = NZD1.40885

USD1 = NZD1.77900

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