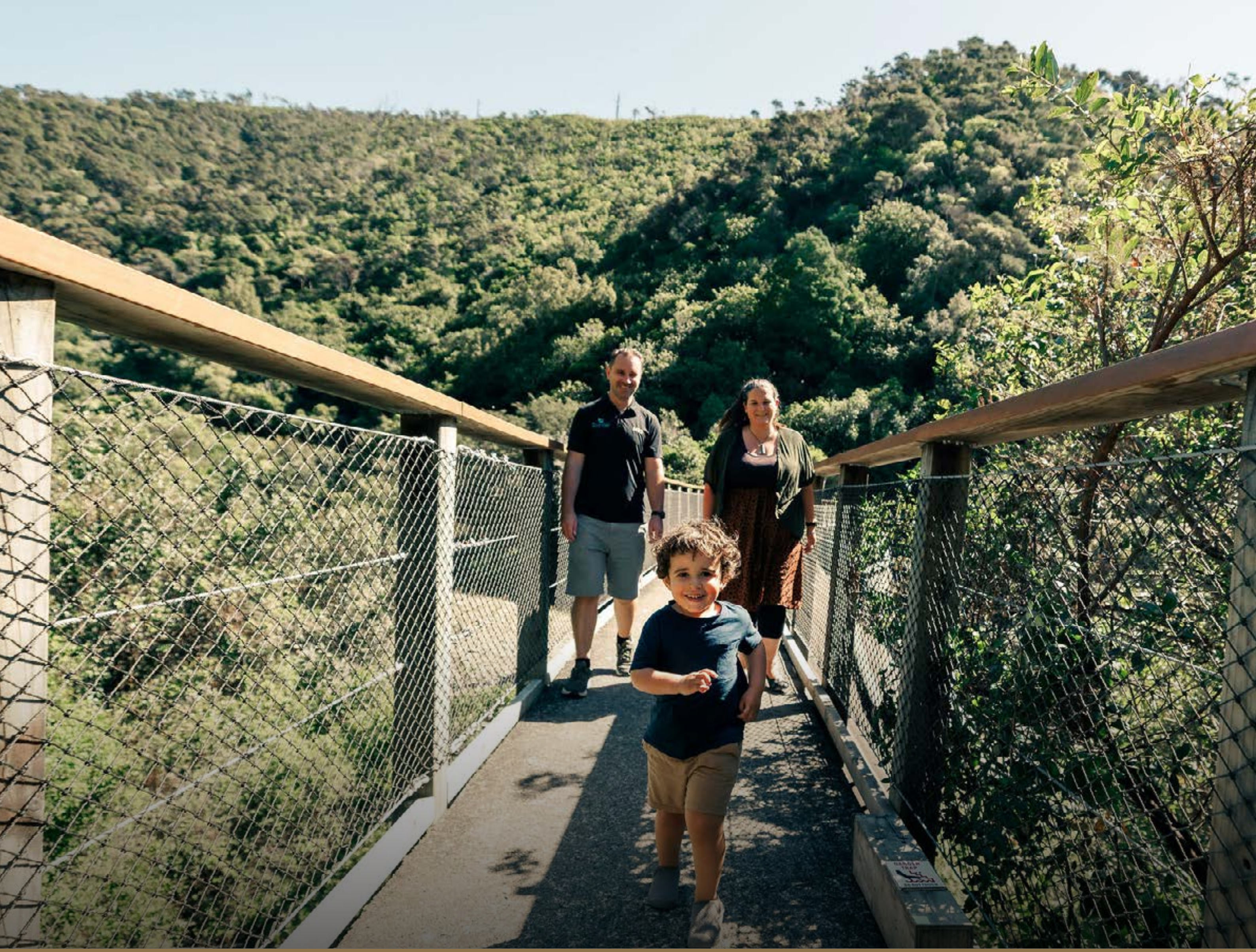


Annual Report

For the year ended 31 March 2026

nbs.co.nz

NBS
Banking for life

NBS is not a registered bank.

Cover: Sarah and Elliot with Chris McCormack, Chief Executive of Brook Waimārama Sanctuary.

Contents

The 164th Annual Report of the

Nelson Building Society

Directory

Independent Directors	G L Wilson (Chairperson) A L Fox G W Watt J Marslin S Mellor R Newsome
Chief Executive Officer	G Dellabarca
Secretary	K Renouf
Solicitor	Buddle Findlay
Banker	Westpac
Auditor	Deloitte Limited
Head Office	111 Trafalgar Street PO Box 62, Nelson 7040

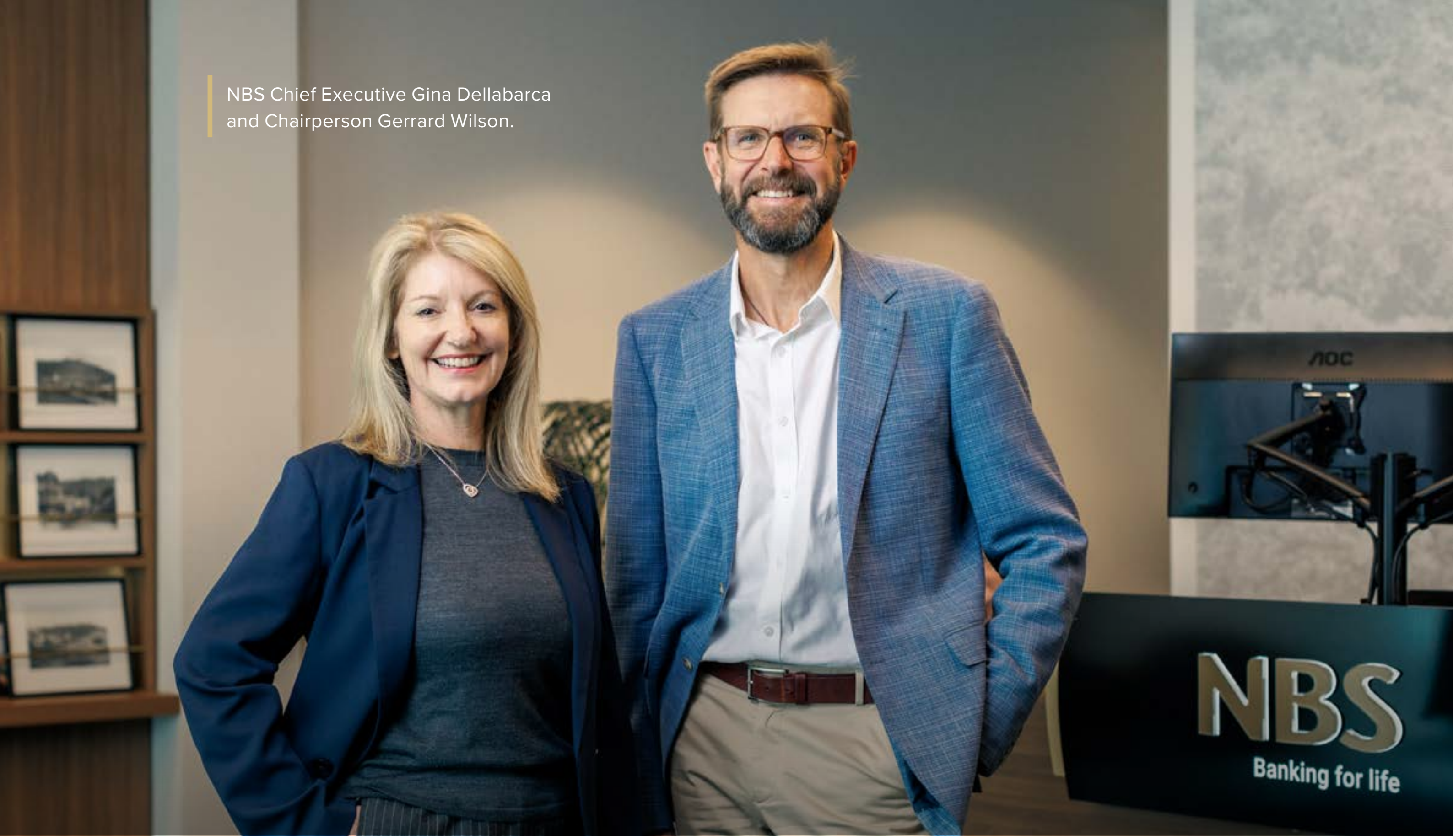
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Nelson Building Society will be held at the Nelson Building Society, 111 Trafalgar Street, Nelson on 30 July 2026 at 5pm.

Ordinary Business

1. To receive the Annual Financial Statements and the report of the Auditors, together with the Directors' report
2. To appoint the Auditors for the ensuing year
3. Directors retirement and appointment
4. General Business

Gina Dellabarca
Chief Executive



NBS Chief Executive Gina Dellabarca and Chairperson Gerrard Wilson.

A Message From Our Chairperson And Chief Executive

As we reflect on 2025–26, we do so with a genuine sense of pride. We're proud of our financial performance, in the satisfaction of our clients and in the communities that we're privileged to serve. This has been a year of meaningful progress and we're pleased to share the highlights with you.

The Economic Backdrop

It's important to acknowledge the environment in which our members have been living and making financial decisions this year. New Zealand's economic recovery has been gradual and the everyday cost pressures facing households – across groceries, insurance, rates and energy – have remained real and persistent. We are mindful of that, and it shapes how we think about our role and responsibilities.

Across the communities we serve, the housing market has remained broadly stable, navigating a period of subdued activity against a backdrop of global uncertainty. Conditions continue to evolve and we remain closely attuned to what that means for our clients – particularly those working towards home ownership for the first time.

A Refreshed Strategy With Clients At Its Heart

This year marked the completion of year one of our five-year strategy. Our early progress is encouraging.

Our strategy is built around growth and innovation, guided by our purpose: to know you and back your future. Twelve months in, the foundations we've been laying begin to show through in the numbers and, more importantly, in the experience of our clients.

Client satisfaction sits at 88% and our client net promoter score (NPS) has reached +50 compared to a banking industry average of +19. These are not just metrics we're pleased with; they're a reflection of the genuine care and effort our team brings to their work every single day. When our clients feel known and well-supported, that is our purpose in action.

Brand awareness has risen to 80%, up from 52% in 2023 – a significant shift that tells us more people across our regions understand who we are and what we stand for. That growing recognition is a strong platform for the next phase of our growth.

Strong Financial Foundations

We're pleased to report a resilient financial result for the year. Profit before income tax came in at $4.3 million, while operating income was $32.9 million. Net loans and advances increased to $816.3 million, supported by continued strength in residential lending.

Lending growth has been a particular highlight. Despite planned run-off in our consumer lending book which has pressured our margins downwards, our mortgage business has gone from strength to strength, resulting in an overall increase in our lending book. A growing network of approved mortgage advisers has played an important role in this. They're out there sharing our story and clients are connecting with what makes NBS different. As a building society, residential lending sits at the heart of what we do and we're leaning into that with confidence. These results reflect the dedication of our entire team and the loyalty of our clients.

At the same time, we are focused on credit discipline and recognising risk early and appropriately with strengthened processes around new lending and close monitoring of our existing loan book. An increased credit impairment charge is precautionary, as NBS has lifted its provision levels as a safeguard against potential future credit deterioration against the backdrop of a challenging economic climate and uncertainty.

Our funding and liquidity position has continued to be actively managed with active pricing reviews to manage the overall funding portfolio respective to the levels required for lending and liquidity.

Our credit rating was reaffirmed during the financial year.

A Year Of Transformation

Behind the client-facing results, a significant amount of work has been taking place to transform operationally, which has also resulted in reduced operating expenses. We've been simplifying our processes, removing unnecessary duplication and making it easier and faster for both our people and our clients to get great outcomes. It's not always the most visible work, but it matters enormously and is already making a difference. We'll continue to drive these improvements through the year ahead.

We've also continued to invest in our people – building leadership and technical capability and introducing new systems to support smarter working, including upgrades to payroll, leave and finance platforms. Our employee net promoter score now sits at 73.5%, highlighting an engaged and motivated workforce. That tells us our people feel genuinely good about working here and that means a great deal to us.

Regulatory And Legal Changes

This year has also seen ongoing change across the financial services sector, with a continued focus on fair outcomes for clients and clear standards for how institutions behave.

The Depositor Compensation Scheme introduced on 1 July 2025 is a positive change that strengthens public trust and enhances financial stability in the financial system in New Zealand. The scheme, which NBS is a part of, protects depositors up to $100,000 per depositor, per institution if the bank or non-bank deposit taker fails.

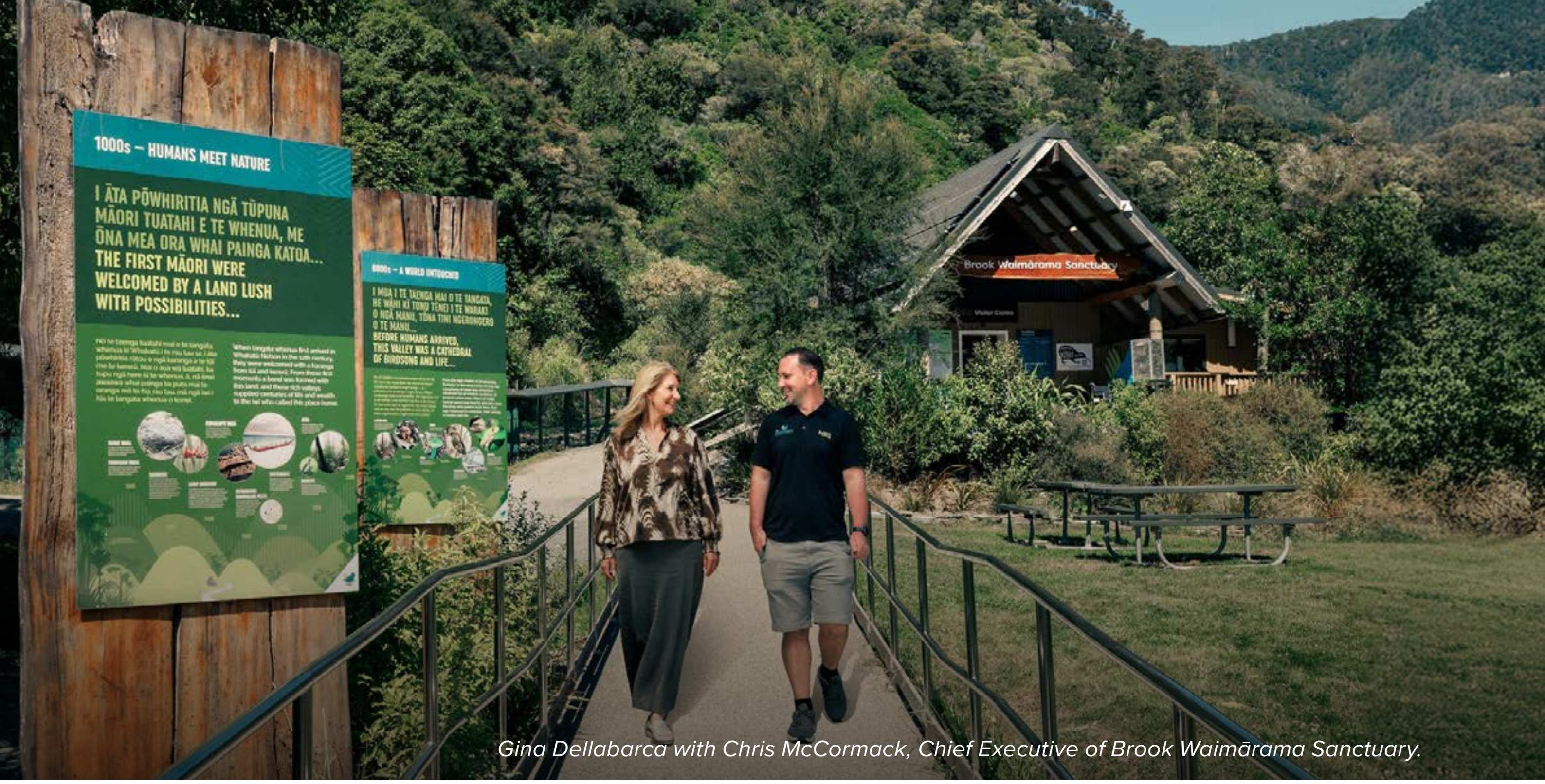
We have continued to engage with the Commerce Commission regarding historic lending issues we self-reported in 2023. NBS has acknowledged these mistakes, remediated impacted clients and fixed our processes.

The next regulatory horizon for NBS is preparing to be a licensed deposit taker in 2028. This is a significant change for our sector and we welcome the positive changes it will bring to New Zealand consumers to strengthen confidence in our banking system.

We continue to stay close to these changes and make sure our systems, processes and people are well prepared, while keeping the experience for members as simple as possible.

Deeply Connected In Our Communities

Community is not something we bolt on – it's woven into everything we do. This year, we distributed over $1 million in community investment across the regions we serve, making a meaningful difference to more than 300 local groups and organisations.



Gina Dellabarca with Chris McCormack, Chief Executive of Brook Waimārama Sanctuary.

Some of the highlights have been wonderful to be part of. We supported the NBS STRONG Community Symposium, organised by the Nelson-Tasman Chamber of Commerce. We have continued our partnership with the Brook Waimārama Sanctuary, where our funding has helped bring kiwi and kākā back to the sanctuary – a remarkable conservation milestone. We've partnered with Richmond Aquatic Centre to offer free swimming lessons to children, funded the Tāhunanui Community Hub and continued our valued partnerships with the NBS Nelson Giants and Tasman Rugby Union.

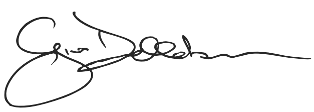
We don't just contribute to our communities financially, our people have also been getting involved in a very direct way. This year, over 450 community service hours saw team members working at the Brook Waimārama Sanctuary, supporting sports initiatives, planting natives in conservation areas, predator trapping and volunteering in local hospice op shops. A group also took part in Relay for Life, where $205,000 was raised for the Cancer Society. We're proud of our team and the role they play in our communities.

Looking Ahead

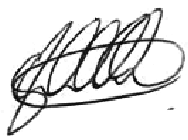
As we move into year two of our strategy, we do so with confidence and real momentum. The green shoots of year one are taking hold – in our client satisfaction, our brand recognition, our lending growth and the engagement of our team. There is more to do and we're focused on doing it well.

We'll continue to sharpen our operations, grow our lending and invest in our people. But above all, we'll keep doing what we've always done: showing up for our clients and our communities; knowing them well and backing their futures.

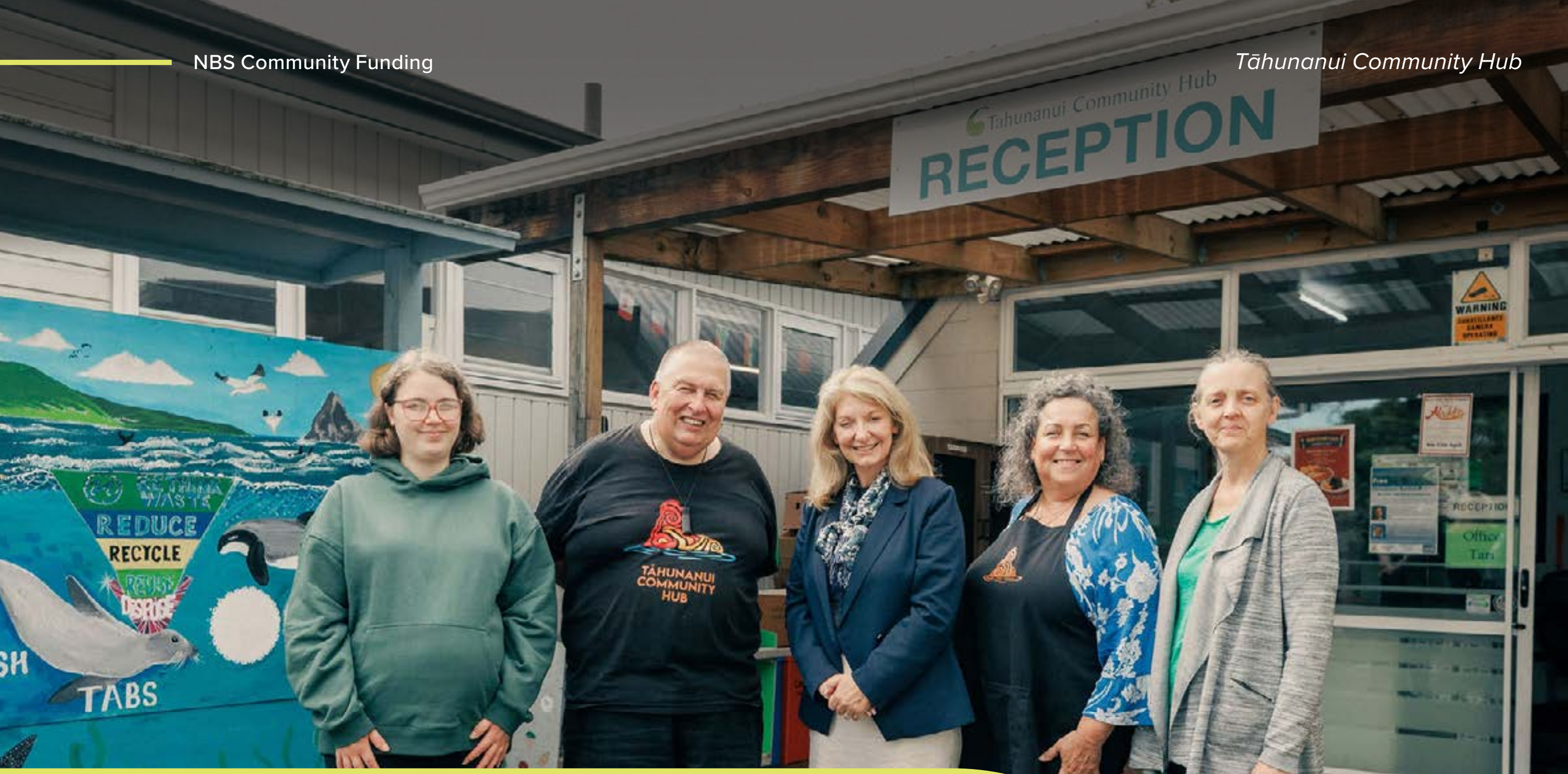
Thank you for your continued trust in NBS.
We look forward to the year ahead.



Gina Dellabarca
Chief Executive



Gerrard Wilson
Chairperson of the Board



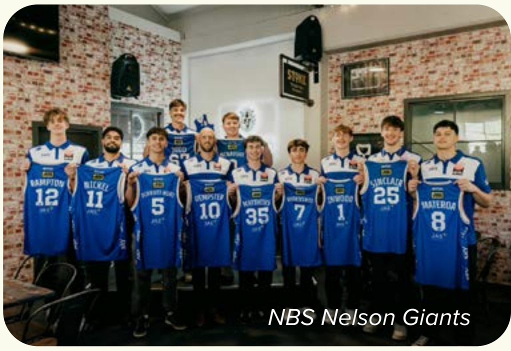
Tāhunanui Community Hub

Community Funding

Thanks to our clients, we've invested over
$8 million into our communities over the last 10 years*.

Ashburton Warriors Club

- Abbeyfield Mata Close
- Abbeyfield New Zealand
- Active Little Learners
- Active4Good
- Age Concern Nelson Tasman
- Air Training Corps, No. 23 Nelson Squadron
- Allenton Rugby Football Club
- Antique Historic Arms
- Art Exhibition Stoke Community Centre
- Art Group Nelson
- Art in the Park Greymouth
- Ashburton Netherby School
- Ashburton Rotary
- Ashburton Santa Parade
- Ashburton Society of Arts
- Ashburton Warriors Club
- Athletic College Old Boys
- Barrytown Sports and Gun Club
- Bike Hub Nelson
- Bowls Buller Inc
- Bowls Nelson Club
- Bowls Tāhunanui Inc
- Bowls West Coast
- Brightwater School
- Brook Waimārama Sanctuary
- Brooklyn School Motueka
- Buller Boardriders Club
- Buller District Council
- Buller Gorge Marathon
- Buller Sports Alliance
- Buller Volleyball Association
- Buller Wheelchair Bus Incorporated
- Buller Women's Health Fund
- COMMOTION Youth Music Colab Nelson
- Cape Foulwind Catchment Board
- Celtic Pipe Band
- Charleston Westport Coastal Trail
- Citizens Advice Bureau
- Club Italia
- Club Waimea
- Club Waimea Squash
- Coastguard Nelson
- Cobden Bowling Club
- Cobden Community Group
- Collingwood Boat Club
- Collingwood Rugby Club
- COMMOTION Youth Music Colab Nelson
- Craft Potters
- Cultural Conversations
- Dancing for a Cause Trust
- Dixon's Boxing
- Empowerment Trust
- FC Nelson
- Fifeshire Foundation
- Ford Club Nelson
- Fossil Creek Farm Trust
- Garin College
- Golden Bay Basketball Association
- Golden Bay Boys' and Girls' Agricultural Club
- Golden Bay Bridge Club



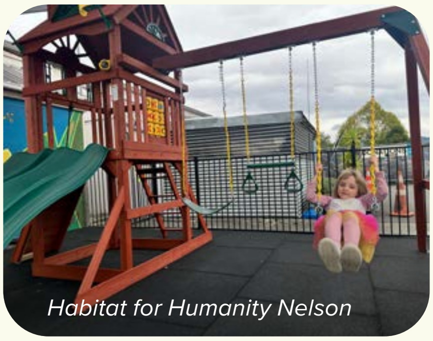
NBS Nelson Giants

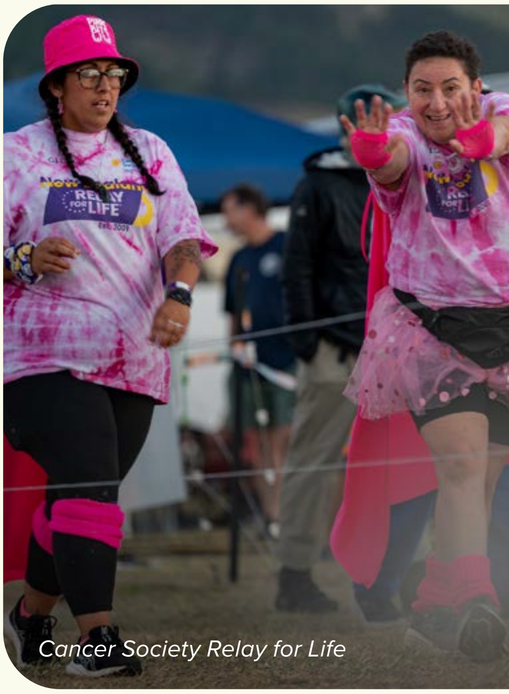
* Source: NBS Financial Statements 2017–2026.

- Golden Bay Cricket Club
- Golden Bay Football Club
- Golden Bay Riding for the Disabled
- Golden Bay Search and Rescue
- Golden Bay Tennis Club
- Golden Bay Tinbum Triathlon
- Good Sports Motueka
- Greenacres Golf Club
- Grey United Tennis Club
- Greymouth Bridge Club
- Greymouth Golf Club
- Greymouth Squash Club
- Habitat for Humanity Nelson
- Hakatere Multi Cultural Council
- Hampden Street School
- Helping Families Nelson
- Helping Hands Murchison
- Higgins Heritage Park

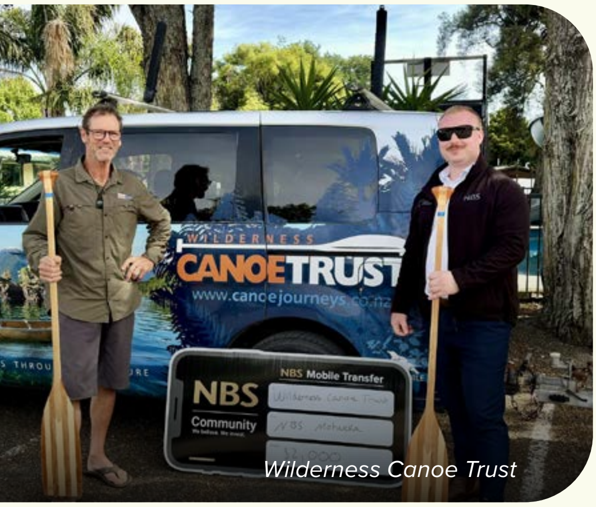

Golden Bay Tennis Club

- Hinds Bowling Club
- Hope Indoor Bowling Club
- Hotel Motueka
- Huia Netball Club
- Huia Rugby Football Club
- Inclusive Sport Trust
- Inspiring Youth Theatre
- Jacks Netball Club
- John Paul II High School
- Karoro Bowling Club
- Kawatiri Coastal Trail
- Kawatiri Kura Kapa Haka Group
- Keep Motueka Beautiful Society
- Kids Love Music
- KNECT
- Ladder 61
- Lake Rotoiti School
- Life Education Trust
- Life Linc
- Lions Club of Richmond
- Mainland Football
- Make/Shift Spaces
- Makura Croquet Club
- Māpua Community Library
- Māpua and Districts Football Club Inc.
- Māpua Easter Fair
- Māpua Volunteer Fire Brigade
- Marist Rugby Football Club
- Marsden Valley Trapping Group
- Maui Muay Thai Nelson
- Meet Nelson
- Mid Canterbury Bowls
- Ministry of Inspiration
- Motueka A&P Show
- Motueka Army Cadet Unit
- Motueka Art Group
- Motueka Bowling Club
- Motueka Community House
- Motueka Country Music Club
- Motueka District Museum
- Motueka Golden Bay Volleyball Club
- Motueka Golf Club
- Motueka High School
- Motueka Kai Festival
- Motueka Lions Club
- Motueka Music Group
- Motueka Pony Club
- Motueka Quilting Connection
- Motueka South School
- Motueka Squash Club
- Motueka Steiner School
- Motueka Waka Ama Club
- Motupipi School
- Mountain Bike Ashburton
- Moutere Hop
- Multicultural Nelson Tasman
- Murchison Country Music Club
- Murchison Golf Club
- Murchison Kindergarten
- Murchison Netball Club
- Murchison NZ 150th Celebration
- Murchison Rugby Club
- Nayland College
- NBS Nelson Giants
- NCMA


Habitat for Humanity Nelson

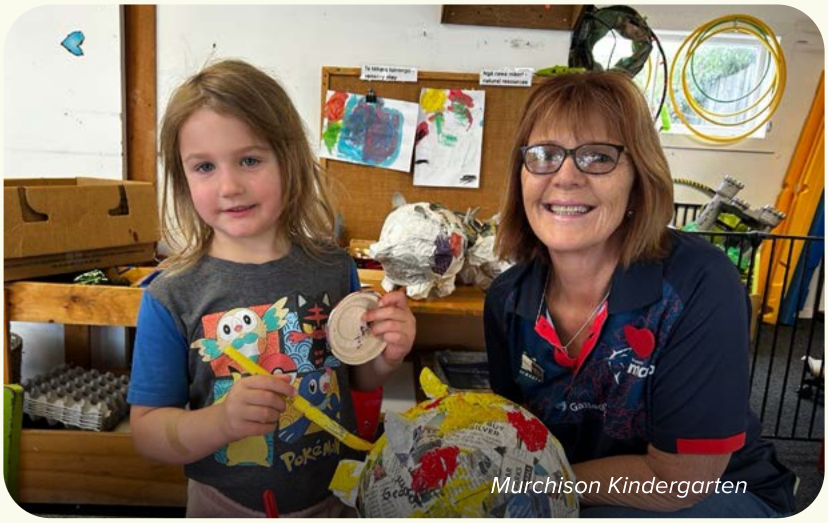

Cancer Society Relay for Life

- Nelson Arts Festival Trust
- Nelson Badminton Association
- Nelson Basketball Association
- Nelson Bays Tennis Association
- Nelson Bays Football via Mainland
- Nelson Camera Club
- Nelson City Brass
- Nelson Civic Choir
- Nelson College Old Boys' Association
- Nelson College Rugby Academy
- Nelson Community Toy Library
- Nelson Cricket Association
- Nelson Environment Centre
- Nelson Environment Trust
- Nelson Fringe Festival
- Nelson Golf Club
- Nelson Grey Power Association
- Nelson Harness Racing
- Nelson Historic Theatre Trust
- Nelson Hockey Association
- Nelson Indoor Bowls
- Nelson Italian Festival
- Nelson Jazz Club
- Nelson Judo Club
- Nelson Lakes Gliding Club
- Nelson Lawn Tennis Club
- Nelson Male Voice Choir
- Nelson Marlborough Rescue Helicopter
- Nelson Mountain Bike Club
- Nelson Musical Theatre
- Nelson Netball
- Nelson Obstacle Park
- Nelson Orchid Society
- Nelson Returned and Services Association
- Nelson Rowing Club
- Nelson Rugby Football Club
- Nelson South Swim Club
- Nelson Squash Club



Wilderness Canoe Trust

- Nelson Surf Life Saving Club
- Nelson Target Shooting
- Nelson Tasman Chamber of Commerce
- Nelson Tasman Hospice
- Nelson Touch Association
- Nelson Womens Centre
- New Zealand Society of Authors
- NZ Sun City Country Music Awards
- New Zealand Tree Crops Association
- Ngatimoti Festival
- Ngatimoti School
- Ngawhatu Bowling Club
- Old Boys Rugby Football Club Westport
- Padel Centre Tasman
- Parklands School
- Paroa Park Redevelopment
- Paroa School
- Pohara Bowling Club
- Project DeVine
- Promoting Buller
- Rec Park Centre
- Richmond Aquatic Centre
- Richmond Bowling Club
- Richmond Community Patrol
- Richmond Contract Bridge Club
- Richmond Tennis Club
- Riwaka Bowling Club
- Riwaka Netball
- Riwaka Rugby Football Club
- Rockville Pool and Reserve Community Group
- Rotary Club Nelson
- Rūnanga Miners Hall Trust
- Sarau Festival
- SeniorNet Golden Bay
- SoulUtionz Sports Trust
- Southern Netball Club
- Special Olympics
- Sports Tasman
- Stoke Bowling Club
- Stoke Nayland Cricket Club Inc
- Stoke Netball Club
- Stoke Rugby Football Club
- Suburban Netball Club
- SuperBrain Charitable Trust
- Tahitanga Wellness Centre
- Tāhunanui Community Hub
- Tāhunanui Sharks Volleyball Club
- Tākaka Bowling Club
- Tākaka Dog Trial Club
- Tākaka Golf Club
- Tākaka Rugby Football Club
- Tākaka Squash Club
- Tākaka Village Theatre
- Target Shooting Nelson
- Tasman Bay Blue Penguin Trust
- Tasman Bay Blues Club
- Tasman Bay Christian School
- Tasman Bay Guardians
- Tasman District Gundog Society
- Tasman Golf Club
- Tasman National Art Awards
- Tasman Rugby Union
- Tasman School
- Tasman Wheelers
- Te Mamaku Drive Project
- Te Tauihu Environmental Trust
- The Amputee Society of Top of the South
- The Angel Group
- The Free House Pub
- The Homeshare for Her Trust
- The Kawatiri Coastal Trail
- The Nelson Antique Bottle and Collectables Club Inc
- The Nelson District Kennel Association
- The Nelson Fringe Festival
- The Nelson Santa Parade Trust
- The Suter Art Gallery Te Aratoi o Whakatū
- The Wrinklies Express
- Theatre Royal Nelson
- Tinwald Golf Club
- Tinwald Rugby Club
- Top of the South Community Foundation
- Top of the South Mounted Games Association
- Totaradale Golf Club
- Ulysses Nelson
- Ulysses Toy Run
- Uniquely Nelson
- United Bowling Club
- VERO International Festival of Historic Motoring
- Victory Boxing
- Vintage Car Club of New Zealand
- Volleyball Tasman
- Volunteer Nelson
- Waimea College
- Waimea College Kapa Haka Group
- Waimea College Netball
- Waimea Combined Rugby
- Waimea Old Boys Rugby Football
- Waimea South Community Facility Charitable Trust
- Wakefield Country Players
- Wanderers Community Sports Club
- West Coast Basketball
- West Coast Netball Centre
- West Coast Sports Awards
- West Coast VC
- Westport Bowling Club
- Westport Bridge Club
- Westport Disc Golf Club
- Whenua Iti Trust
- Wilderness Canoe Trust
- Willow Bank Heritage Village


Murchison Kindergarten

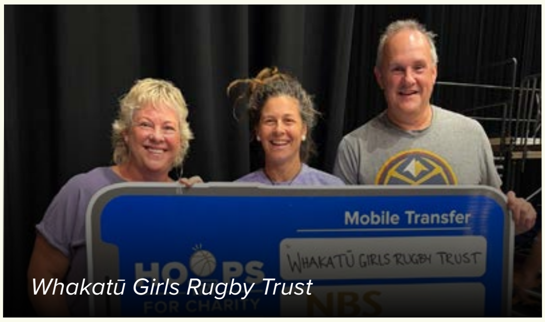

Tasman Mako

West Coast Catchment Programme

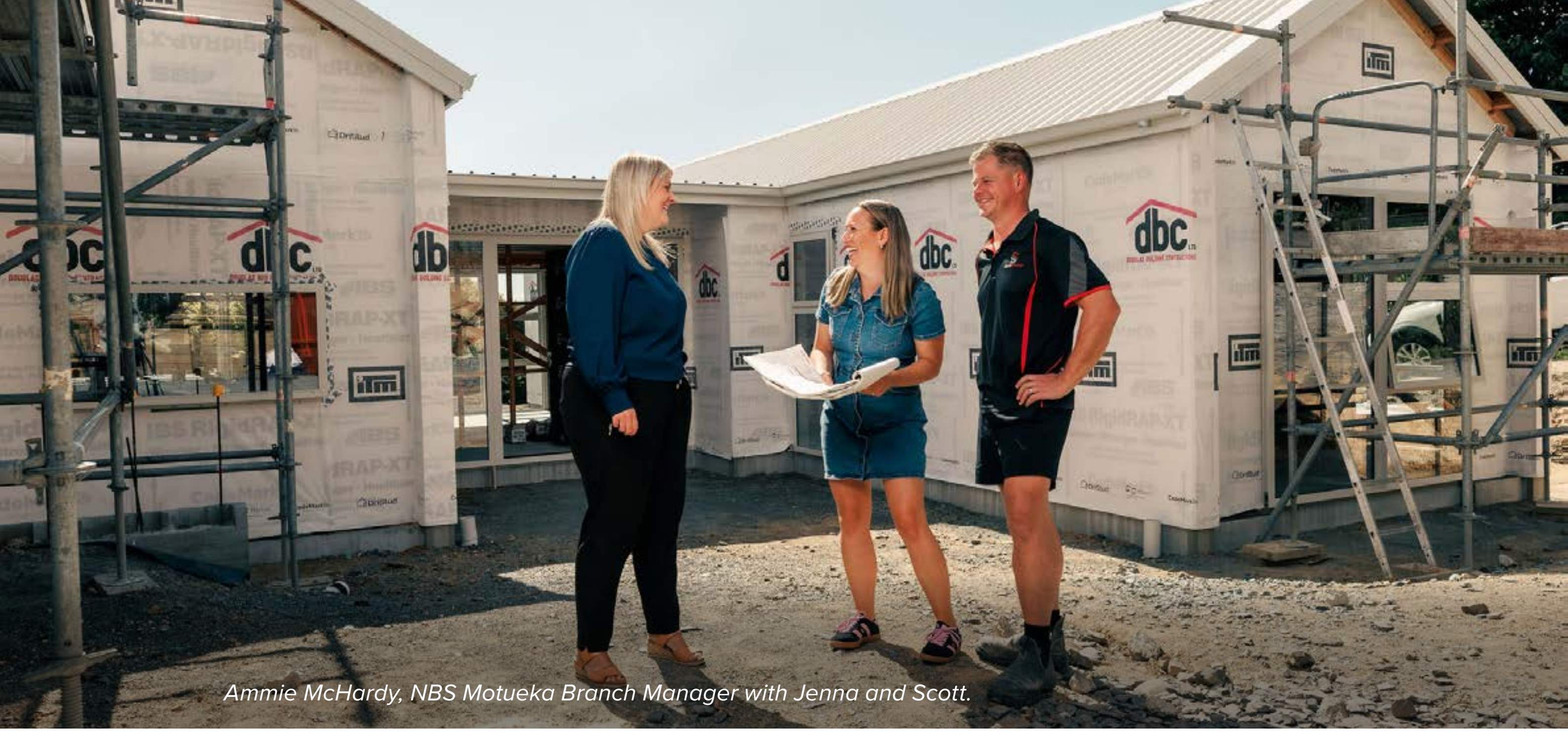
Fifeshire Foundation


Nelson Tasman Hospice


Nelson Environment Centre



Whakatū Girls Rugby Trust



Ammie McHardy, NBS Motueka Branch Manager with Jenna and Scott.

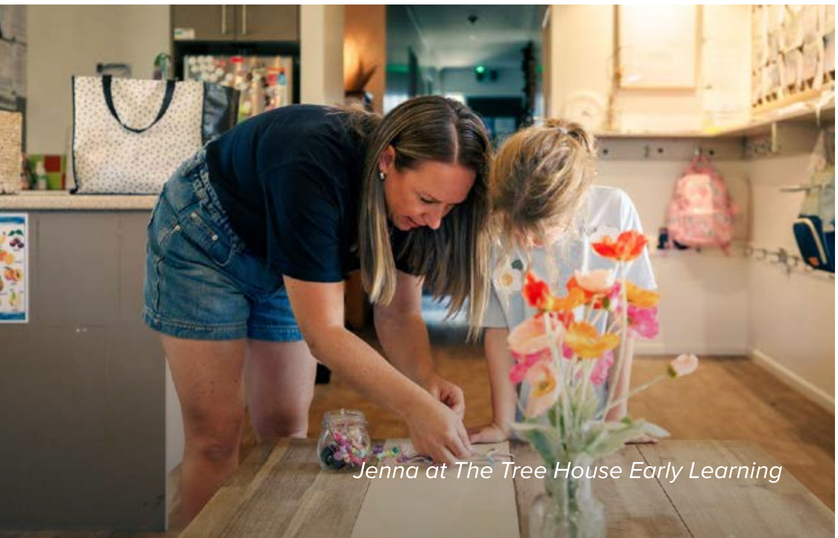
Supporting Local Families And Businesses To Thrive

Scott and Jenna have strong roots in Nelson. Both born and bred in the region, they have always appreciated the lifestyle and close-knit community that makes the area special.

Together for more than 22 years, the couple have built not only a life together but also multiple homes and two successful businesses. They're currently halfway through building their third home, a project designed to support their growing family and the lifestyle they love.

Scott left school to begin his electrical apprenticeship and later started his own company, Siggie Electrical, in 2012. The business now works on residential and commercial projects throughout the region.

Jenna followed a different path, completing an Early Childhood Diploma after working in retail. In 2018, she realised a long-held dream when she opened The Tree House Early Learning Centre.



Jenna at The Tree House Early Learning

"I've been teaching in early childhood for 20 years now and not one day is the same," Jenna says. "I love the connection with families and always enjoy a good laugh. Managing a team of 12 staff has its challenges, but it's incredibly rewarding."

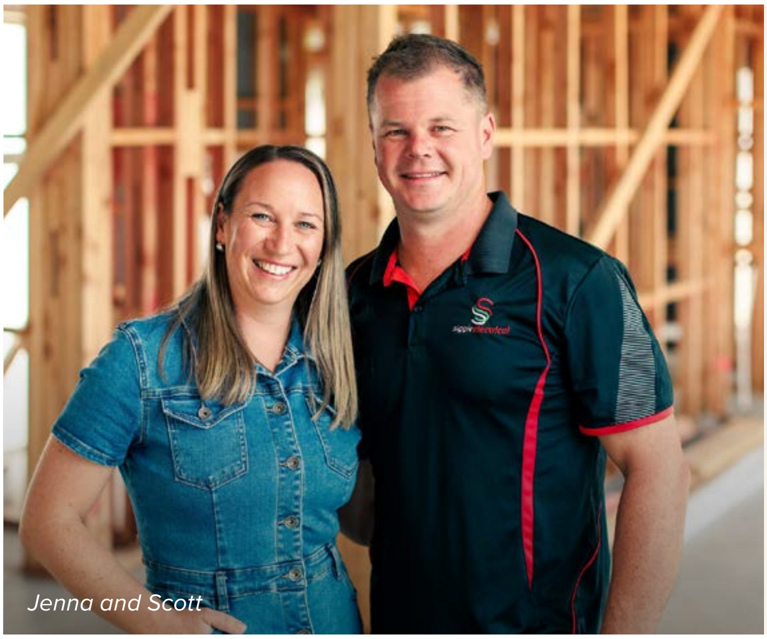
Both businesses, along with their personal banking are supported by NBS.

Scott's connection with NBS began in his teenage years, following a family tradition of banking locally. Jenna joined around 15 years ago, and together they've continued the relationship as their lives and businesses have grown.

"We were looking for a bank that was local and genuinely connected to the community here in Nelson," they say. "The personal service has always stood out to us."

For Motueka Branch Manager Ammie McHardy, relationships like this are what community banking is all about.

"Scott and Jenna are a great example of a local family building something meaningful across both business and home," she says. "Being able to support them through different stages, from business growth to home builds, is exactly why we do what we do."


Jenna and Scott

> “It’s been great having one place that understands both our personal and business goals.”
>
> *– Scott S, NBS client*

Over the years, NBS has supported the couple with everyday banking, business accounts and lending for their home builds.

“It’s been great having one place that understands both our personal and business goals,” Scott says.

Their current build is a project the family has spent considerable time planning.

“We spent over a year getting the plans right,” Jenna explains. “It’s designed to suit our lifestyle and make the most of where we live.”

The home will include features tailored to family life, including a separate wing for their children, a large shed, a granny flat, rainwater collection, hydronic heating and, hopefully, a swimming pool.

When asked to describe their relationship with NBS in one word, their answer is simple: “Easy.”

“You can call or walk in and have a conversation with someone who actually knows who you are and understands your situation,” Scott says. “You never feel like just another number.”

For Jenna and Scott, the local connection is what sets NBS apart.

“You’re dealing with people who genuinely care about helping you succeed,” Jenna says.

They also appreciate the banking provider’s strong presence in the community, particularly its support of local sport and events.

“As a sporty family, seeing our local bank supporting the sports we love gives us real trust in how they give back to the community.”

For Ammie, that community connection is a key part of the relationship.

“Because we’re local, we understand the people and the region,” she says. “It means we can offer support that’s personal and relevant, and we can grow alongside our clients as their needs evolve.”

For Scott and Jenna, the idea of “banking for life” is about partnership.

“It means having a bank that grows with you through different stages of life,” they say. “Whether that’s building a home, running a business, or planning new projects.”

> “Because we’re local, we understand the people and the region... we can offer support that’s personal and relevant, and we can grow alongside our clients as their needs evolve.”
>
> *– Ammie McHardy, NBS Branch Manager, Motueka*

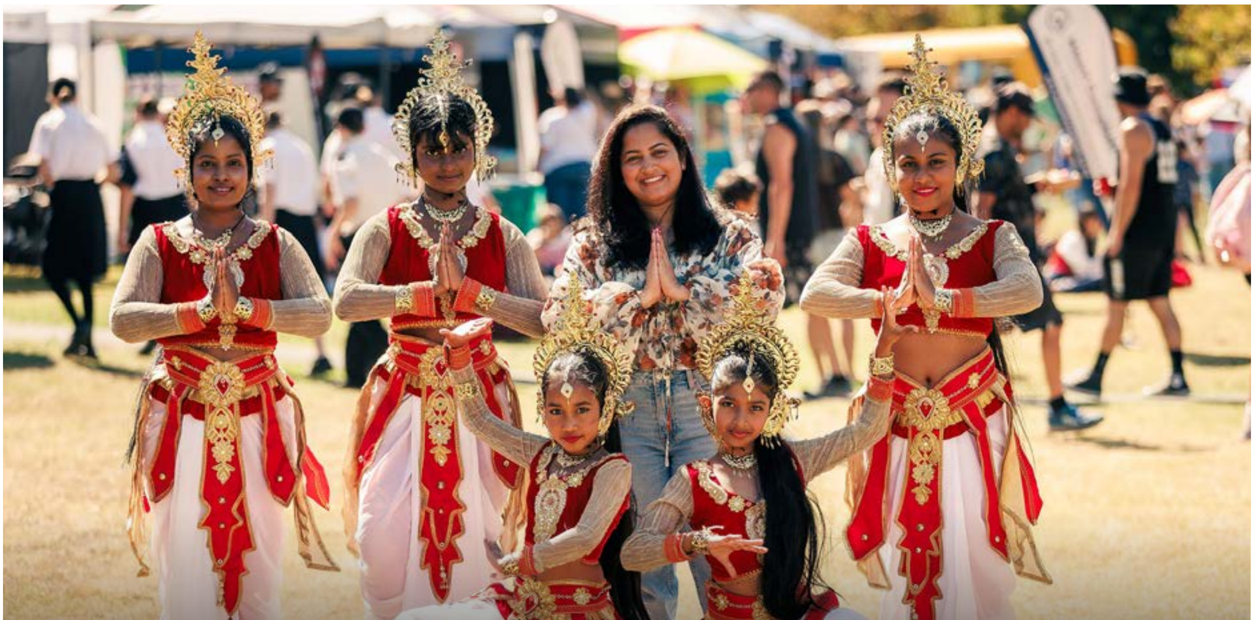
And after many years banking locally, they say the biggest benefit has been the people behind the service.

“It’s reassuring to have a local banking services provider that’s approachable, supportive and genuinely interested in helping people and businesses in the community succeed,” Jenna says.

“They’re always just an email or phone call away.”

Celebrating Connection Through Culture In Nelson Tasman

For Ramiesha P, the work of Multicultural Nelson Tasman is more than a job, it's fulfilling on a personal level.



Ramiesha P from Multicultural Nelson Tasman (centre) with Sri Lankan Cultural Dance Group.

Originally from Sri Lanka, Ramiesha came to Nelson as an international student, studying Applied Management at NMIT. Like many newcomers, she understands what it feels like to start fresh in a new country, navigating unfamiliar systems, building new networks and finding a sense of belonging.

That lived experience now shapes her work every day.

"Multicultural Nelson Tasman is all about celebrating diversity and strengthening inclusion across our region," Ramiesha says. "Our kaupapa is unity in diversity, creating a welcoming, inclusive Aotearoa where everyone feels they belong."

Established more than 30 years ago, the organisation supports thousands of people across the region through cultural events, education programmes and community initiatives, work that is strengthened through the backing of partners like NBS. From settlement support for migrants and former refugees to cross-cultural and anti-racism workshops, the organisation operates at both grassroots and systems levels to build connection and understanding.

> **"It's not just about banking, it's about being part of something bigger and helping our communities grow in a way that's inclusive and connected."**
>
> *– Virginia Douglas, NBS Chief Risk Officer*

For NBS Chief Risk Officer Virginia Douglas, supporting organisations like Multicultural Nelson Tasman reflects NBS' broader commitment to community wellbeing.

"Partnerships like this are a reflection of what it means to be a building society. It goes beyond providing banking services to being part of our local communities," she says. "When our clients choose to bank with us, it directly enables organisations like Multicultural Nelson Tasman to keep doing their important work, bringing people together, celebrating culture and building a stronger sense of belonging."

"It's not just about banking, it's about being part of something bigger and helping our communities grow in a way that's inclusive and connected."

Since joining MNT in 2020 as an Administration and Communications Assistant, Ramiesha has grown into the role of Project Manager and Finance Officer. Today, she oversees key projects and events, manages day-to-day finances and coordinates the Multicultural Youth Nelson Tasman group, a safe and empowering space for young people to celebrate who they are.

"Being part of Multicultural Nelson Tasman means a lot to me, especially as a migrant myself," she says. "Supporting others on their journey is incredibly meaningful."

That impact is brought to life through major community events, including the Tasman Asian Night Food Fair, proudly supported by NBS, which brings thousands of people together to celebrate food, music and culture.

"Seeing so many cultures come together, sharing traditions and watching the wider community embrace that is incredibly rewarding. Every time we see our events growing and reaching more people, it feels like a proud moment."

The organisation's reach continues to expand. The annual Multicultural Festival now attracts around 7,000 attendees, while the Asian Night Food Fair recently welcomed approximately 4,000 people. Through ethnic community grants supported by NBS, more than 30 community-led events have been delivered, from Diwali and Mooncake festivals to Hungarian cultural celebrations, Burmese language schools, Zomi harvest festivals and Chin National Day events.

"Funding is limited," Ramiesha explains. "Support from NBS has made a real difference. It empowers smaller communities to celebrate their culture proudly and strengthens connections across the whole region."

The partnership itself began in 2022, when Multicultural Nelson Tasman made the decision to move their banking. On the recommendation of another local organisation, they approached NBS.

"From the beginning, they were supportive and easy to work with," Ramiesha says. "What started as a banking relationship evolved into a meaningful community partnership."

Today, NBS provides day-to-day banking services, account facilities, debit card access and responsive local support, particularly valuable to community organisations when managing large-scale events and distributing community grants.

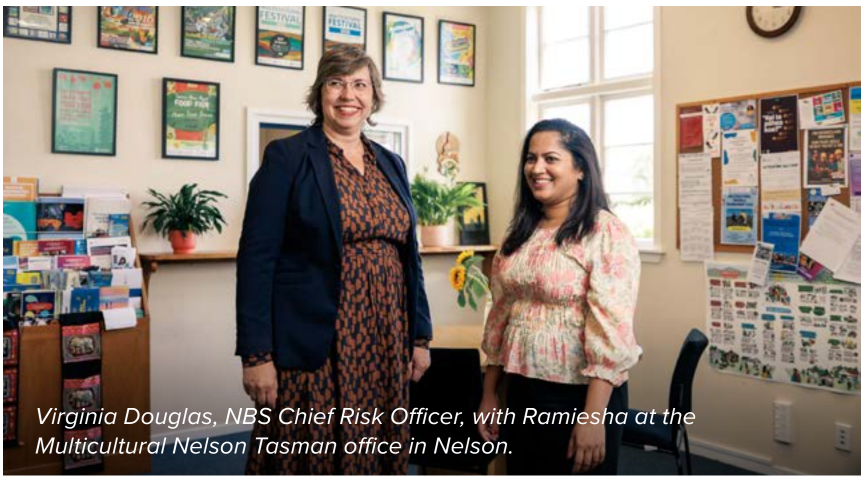
"It's reassuring to have a local team we can easily communicate with," she says. "The service feels personal rather than corporate. You can see that they care about community wellbeing, not just transactions."

For Ginni, that local, relationship-led approach is central to how NBS operates.

"Partnerships like this are about listening and supporting organisations," she says. "When our communities thrive, we all benefit and that's exactly what we're here to support."

As Multicultural Nelson Tasman continues to expand, including extending its work into Motueka and moving into its own dedicated multicultural centre in 2024, having the right support in place is critical.

Reflecting on NBS's ethos of banking for life, Ramiesha sees strong alignment.



Virginia Douglas, NBS Chief Risk Officer, with Ramiesha at the Multicultural Nelson Tasman office in Nelson.

"To me, banking for life means having a trusted partner who grows with you," she says. "For Multicultural Nelson Tasman, it means stability, reliability and knowing we have support as we continue expanding our impact in the community."

For an organisation built on connection, belonging and shared futures, that partnership is helping make it all possible.

Financial Statements

Deloitte.

Independent Auditor's Report

To the Members of Nelson Building Society

Opinion

We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2026, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements, on pages 20 to 55, present fairly, in all material respects, the financial position of the Nelson Building Society as at 31 March 2026, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Society in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* ('PES 1') issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code') as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with PES 1 and IESBA Code.

Our firm carries out other assignments for the Society in the area of taxation compliance, and other assurance services in respect of the members register, trustee reporting, annual return and selected GHG disclosures within the Climate Statement. These services have not impaired our independence as auditor of the Society. In addition to this, partners and employees of our firm deal with the Society on normal terms within the ordinary course of trading activities of the business of the Society. The firm has no other relationship with, or interest in, the Society.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Provision for expected credit loss **(Refer to Notes 6 and 7)** The Expected Credit Loss (ECL) impairment model under NZ IFRS 9 takes into account forward looking information reflecting potential future economic events. This has resulted in the Society developing models which are reliant on large volumes of data, as well as significant estimates around probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). We consider the risk around the determination of expected credit losses to be a key audit matter because: • Loans and Receivables, including mortgages, commercial, personal, consumer loans and overdrafts, are financially significant account balances; • The model used to calculate ECLs are inherently complex and judgement is applied in determining the correct form and inputs to be used in the model. This requires us to challenge the appropriateness of management's assumptions in the calculation of the provision; • There are a number of key assumptions made by the Society as inputs into the models (e.g.: statistical and economic forecasts); and • Specific provisions are based on the application of management judgement with the assessment of expected future cash flows being inherently uncertain and judgemental as they are principally derived from estimating the timing and proceeds from the future sale of property securing loans.	We performed the following audit procedures to test management's estimate: • Evaluated the systems, processes and controls in place over the critical data elements used in the ECL models; • Assessed the Society's material accounting policies and ECL methodology against NZ IFRS 9; • Engaged our ECL specialist to perform an independent review of the model for compliance with NZ IFRS 9; • Evaluated the macroeconomic forecasts used by management by benchmarking against other externally available forecasts; • Assessed management's key assumption used in the model; • Evaluated the probability weightings allocated to the multiple economic scenarios by benchmarking against industry trends and considering the appropriateness of selected weightings; • On a sample basis, tested the exposures for any objective evidence of impairment and assessed the accuracy and completeness of the staging used within the model; • Challenged management on the appropriateness of the overlays applied including the scope of their application and test the completeness and accuracy of the calculation; • Assessed management's judgement around specific provisioning and whether this is in accordance with their ECL policy; and • Evaluated the disclosures made in relation to provision for expected credit losses against the requirements of NZ IFRS.

Other information

The directors are responsible on behalf of the Society for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report, and the Climate Statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

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Key audit matter	How our audit addressed the key audit matter
Directors' responsibilities for the financial statements	The directors are responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible on behalf of the Society for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.
Auditor's responsibilities for the audit of the financial statements	Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2 This description forms part of our auditor's report.
Restriction on use	This report is made solely to the Society's members, as a body. Our audit has been undertaken so that we might state to the Society's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Nicole Dring, **Partner**
for Deloitte Limited
Christchurch, New Zealand
25 June 2026

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2026 included on the Society's website. The Directors are responsible for the maintenance and integrity of the Society's website. We have not been engaged to report on the integrity of the Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 25 June 2026 to confirm the information included in the audited financial statements presented on this website.

Income Statement and Statement of Comprehensive Income

For the year ended 31 March 2026

	Note	Year to 31/03/2026	Year to 31/03/2025
		$000	**$000**
Interest income		**59,006**	**78,863**
Interest expense		**(27,327)**	**(45,042)**
Net interest income		**31,679**	**33,821**
Other operating income			
Transaction and service fees		1,045	1,130
Other income		137	101
		1,182	**1,231**
Total operating income		**32,861**	**35,052**
Operating expenses	2	(25,582)	(29,739)
Community investment		(1,111)	(1,241)
Total operating expenses		**(26,693)**	**(30,980)**
Profit before credit impairment and income tax		**6,168**	**4,072**
Credit impairment charge		(1,896)	(968)
Profit before income tax		**4,272**	**3,104**
Income tax expense	3	(1,489)	(884)
Profit for the year		**2,783**	**2,220**
Statement of Comprehensive Income **For the year ended 31 March 2026**			
Profit for the year		**2,783**	**2,220**
Items that will not be reclassified subsequently to the *Income Statement*			
Movement on revaluation of property – net of income tax		-	-
Other comprehensive income for the year – net of income tax		**-**	**-**
Total comprehensive income for the year		**2,783**	**2,220**

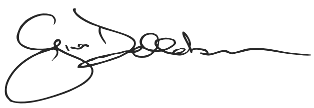
The Notes to the Financial Statements (pages 25 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

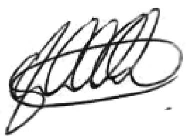
For the year ended 31 March 2026

	Note	Share capital	Revaluation reserve	Retained earnings	Total
		$000	$000	$000	$000
			31/03/2026		
Balance at beginning of year		**49,621**	**1,019**	**49,939**	**100,579**
Net profit and other comprehensive income		-	-	2,783	2,783
Dividends paid	13	-	-	(2,378)	(2,378)
Balance at end of year		**49,621**	**1,019**	**50,344**	**100,984**
			31/03/2025		
Balance at beginning of year		**49,621**	**1,019**	**50,836**	**101,476**
Net profit and other comprehensive income		-	-	2,220	2,220
Dividends paid	13	-	-	(3,117)	(3,117)
Balance at end of year		**49,621**	**1,019**	**49,939**	**100,579**

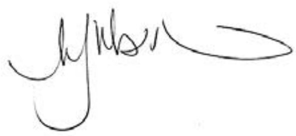
These financial statements were authorised for issue on and behalf of the board of directors on 25 June 2026.



G Dellabarca
Chief Executive



G Wilson
Chairperson



J Marslin
Deputy Chair

The Notes to the Financial Statements (pages 25 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2026

	Note	31/03/2026	31/03/2025
		$000	**$000**
Assets			
Cash and cash equivalents	4	162,468	239,690
Term deposits		81,573	74,622
Trade receivables		32	203
Prepayments and other receivables		1,358	1,831
Current tax receivables	3	-	1,234
Deferred taxation	3	3,324	3,163
Loans and advances			
Mortgages		812,345	773,277
Personal loans		438	533
Consumer lending		8,410	23,104
Overdrafts		6,210	6,004
Allowance for expected credit losses	6	(11,146)	(10,280)
	5	**816,257**	**792,638**
Property			
Property, plant and equipment	8	4,300	4,472
Right-of-use assets	9	1,122	1,598
Total assets		**1,070,434**	**1,119,451**
Liabilities			
Employee entitlements		1,684	1,089
Trade and other payables	10	2,351	1,920
Lease liabilities	9	1,335	1,819
Current tax liabilities	3	216	-
Deposits and other borrowings	11	962,379	1,012,704
Other provisions	12	1,485	1,340
Total liabilities		**969,450**	**1,018,872**
Net assets		**100,984**	**100,579**
Equity			
Share capital	13	49,621	49,621
Retained earnings		50,344	49,939
Revaluation reserve		1,019	1,019
Total equity		**100,984**	**100,579**

The Notes to the Financial Statements (pages 25 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2026

	Note	31/03/2026	31/03/2025
		$000	**$000**
Cash flows from operating activities			
Interest received		58,241	77,538
Other income		1,182	1,231
Interest paid		(31,433)	(45,815)
Operating expenses		(25,043)	(37,359)
Income taxes paid	3	(200)	(310)
Change in loans and advances		(23,453)	26,696
Change in deposits and other borrowings		(46,219)	(9,033)
Net cash flows (used in) operating activities		**(66,925)**	**12,948**
Cash flows from investing activities			
Change in term deposits		(7,218)	(73,438)
Sale of property, plant and equipment		58	40
Purchase of property, plant and equipment	8	(318)	(306)
Net cash flows used in investing activities		**(7,478)**	**(73,704)**
Cash flows from financing activities			
Dividends paid	13	(2,378)	(3,117)
Repayment of lease liabilities		(441)	(456)
Net cash flows used in financing activities		**(2,819)**	**(3,573)**
Net change in cash		(77,222)	(64,329)
Opening cash and cash equivalents		239,690	304,019
Closing cash and cash equivalents	4	**162,468**	**239,690**

The Notes to the Financial Statements (pages 25 to 55) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2026

	31/03/2026	31/03/2025
	$000	**$000**
Reconciliation of profit to cash flows from operating activities		
Profit	**2,783**	**2,220**
Deferred taxation	(161)	122
Amortisation and depreciation	462	602
Loss on disposal of assets	(30)	1
Right-of-use asset amortisation and interest	433	490
Change in allowance for expected credit losses	866	236
Change in accrued interest on deposits and other borrowings	(4,106)	(773)
Change in accrued interest on term deposits	267	(1,184)
Change in deferred establishment fee revenue and commissions	(1,032)	(141)
Change in other provisions	145	(4,595)
	(3,156)	**(5,242)**
Movement in working capital		
Change in trade and other payables	431	(2,007)
Change in current tax receivables	1,450	452
Change in trade receivables	171	(115)
Change in prepayments and other receivables	473	182
Change in employee entitlements	595	(205)
Change in loans and advances	(23,453)	26,696
Change in deposits and other borrowings	(46,219)	(9,033)
	(66,552)	15,970
Net cash flows from operating activities	**(66,925)**	**12,948**

The Notes to the Financial Statements (pages 25 to 55) form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2026

Statement of compliance

Nelson Building Society (NBS) was established in 1862 and is a profit-oriented mutual entity incorporated in New Zealand under the *Building Societies Act 1965*. NBS is a financial institution which provides retail banking type services to the community. Banking services include personal and commercial loans, investments, mortgages and electronic banking.

NBS' financial statements have been prepared in accordance with *Generally Accepted Accounting Practice ('GAAP')* in New Zealand. They comply with New Zealand equivalents to *IFRS Accounting Standards ('NZ IFRS')* and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements also comply with *IFRS Accounting Standards ('IFRS')* as issued by the *International Accounting Standards Board ('IASB').*

NBS is an FMC Reporting Entity as defined in the *Financial Markets Conduct Act 2013.*

These financial statements were authorised by the Board of directors on 25 June 2026.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets such as freehold land and buildings. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that NBS has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Presentation currency

The amounts contained in the financial statements are presented in New Zealand dollars (NZD). New Zealand dollars is the functional currency of NBS.

Principal activities

NBS' principal activities during the year were:

- receiving deposits for investments and
- providing personal banking services including current accounts, personal loans, mortgages, consumer lending and debit card facilities

Particular accounting policies

a. Material judgements, accounting estimates and assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect the application of accounting policies and the carrying values of assets and liabilities that are not readily available from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the application of *NZ IFRS* and in the preparation of these financial statements are outlined as follows:

Impairment analysis

For the year ended 31 March 2026 the significant accounting estimates and judgements of *NZ IFRS 9* used by NBS include the measurement of expected credit losses.

The measurement of the expected credit loss allowance is based on the standard's expected credit loss (ECL). This requires the use of complex models and significant assumptions about economic conditions and credit behaviour (eg, the likelihood of clients defaulting and the resulting losses).

The challenges facing the economy have resulted in continued estimation uncertainty in the determination of provision for expected credit. Given the inherent unpredictability associated with the economy, inflation, global supply chain concerns and geo-political factors, the actual credit loss could be significantly different to the estimations disclosed.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- determining criteria for significant increase in credit risk
- choosing appropriate models and assumptions for the measurement of expected credit losses
- establishing the number and relative weightings of forward looking scenarios for each type of product or market and the associated expected credit losses
- establishing groups of similar financial assets for the purpose of measuring expected credit losses
- estimating the fair value of underlying collateral

Refer to note 6 for the significant assumptions in the current year.

b. Changes in accounting policies

All mandatory standards, amendments and interpretations have been adopted in the current year.

There have been no changes in accounting policies.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to NBS, and that revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

- **Interest income**

  Interest income for all instruments measured at amortised cost is recognised in the *Income Statement* as it accrues using the effective interest method.

  The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

  For financial assets other than those that become credit impaired, the effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability initially recognised. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). When calculating the effective interest rate, cash flows are estimated based upon contractual terms and behavioural aspects of the financial instrument (eg, prepayment options), but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

- **Loan origination fees**

  All fees related to the successful origination or settlement of a loan (together with the related direct costs) are deferred and are recognised as an adjustment to the effective interest rate on the loan.

- **Fee and commission income**

  Fees and commission income from contracts with clients is measured based on the consideration specified in the contracts with the client. NBS recognises revenue when it transfers control over a service to a client.

  Revenue from account servicing and servicing fees is recognised over time as the services are provided to the clients. Revenue related to transactions is recognised at the point in time when the transaction takes place.

d. Expense recognition

- **Interest expense**

  Interest expense, including premiums or discounts and associated issue expenses incurred on the issue of securities, is recognised in the *Income Statement* for all financial liabilities measured at amortised cost using the effective interest method.

- **Losses on loans and receivables carried at amortised cost**

  The charge recognised in the *Income Statement* for losses on loans and receivables carried at amortised cost reflects the provisions for individually assessed and collectively assessed loans, write offs and recoveries of losses previously written off. Further detail is included in notes 6 and 7 of the *Financial Statements*.

- **Commissions and other fees**

  External commissions and other costs paid to acquire mortgage and consumer loans through brokers are deferred and are recognised as an adjustment to the effective interest rate. All other fees and commissions are recognised in the *Income Statement* over the period which the related service is consumed.

e. Income tax

Income tax expense on the profit for the year comprises current tax and movements in deferred tax balances. Current tax is the expected tax payable or recoverable on the taxable profit or tax loss for the period, using tax rates that have been enacted or substantively enacted as at balance date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. NBS recognises a deferred tax asset for the carry forward of unused tax losses and credits to the extent that it is probable future taxable profit will be available against which the unused tax losses or credits can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or of assets and liabilities that is not a business combination, that affect neither accounting nor taxable profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted as at balance date that are expected to apply when the liability is settled or the asset is realised.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised as an expense or income in the *Income Statement*, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised directly in other comprehensive income or directly in equity.

f. Goods and services tax

Revenue, expense, liabilities and assets are recognised gross of the amount of goods and services tax ('GST'). GST is recoverable in direct proportion to the NBS' commercial clients on all expenditure, pursuant to *Section 20F* of the *Goods and Services Tax Act 1985*.

g. Assets

Financial assets

- **Classification of financial assets**

  Management determines the classification of its financial assets at initial recognition. The classification depends on NBS' business model for managing the financial assets and the contractual terms of the cash flows. NBS reclassifies financial assets when and only when its business model for managing those changes.

  NBS' financial assets are measured in their entirety at amortised cost as they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

- **Recognition and measurement of financial assets**

  Financial assets are recognised when NBS becomes party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on trade-date or the date on which NBS commits to purchase or sell the asset.

  Financial instruments are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the instrument.

  Subsequent to initial recognition NBS measures financial assets at amortised cost, using the effective interest rate method less expected credit losses.

- **Derecognition of financial assets**

  NBS derecognises a financial asset from its *Statement of Financial Position* when the contractual rights to the cash flows from the financial asset expire, or NBS has transferred all or substantially all of the risks and rewards of ownership of the financial asset.

  If the terms of a financial asset are modified, then NBS evaluates whether the cash flows of the modified asset are substantially different. If they are, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the modification of a financial asset does not result in derecognition, then NBS first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit.

For financial assets measured at amortised cost, a gain or loss is recognised in profit and loss when the financial asset is derecognised or impaired.

Any gain or loss arising from derecognition is recognised directly in profit or loss and presented in other gains (losses).

Loans and receivables

Loans and receivables cover all forms of lending to clients such as mortgages, consumer loans and personal loans. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowance where applicable.

Subsequent to initial recognition, loans and receivables are recorded at amortised cost using the effective interest method less impairment.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost, using the effective interest rate method, less impairment where applicable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in branches, cash on call and cash equivalents. Cash equivalents are short term (generally with an original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk in changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Money market instruments (short term deposits) are recorded at amortised cost.

Term deposits

Term deposits are recorded at amortised cost using the effective interest method.

Impairment

At the end of each reporting period, NBS performs an impairment assessment based on expected credit loss on financial assets measured at amortised cost.

Measuring ECL - explanation of inputs, assumptions and estimation techniques

The expected credit loss (ECL) is recognised on either a 12 month or lifetime basis. Lifetime basis are used only where a significant increase in credit risk has occurred since initial recognition or a financial instrument is considered to be credit impaired. Expected credit losses are the discounted product of the weighted average of probability of default (PD), loss given default (LGD) and exposure at default (EAD) where:

- PD represents the consideration of forward-looking information on the likelihood of a borrower defaulting on its financial obligation in the future
- LGD represents an estimate of loss arising after consideration of forward-looking information on NBS' expectation. It is expressed as a percentage of EAD
- EAD is based on the total amount of risk exposure on and off the balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of product

Notes to the Financial Statements

For the year ended 31 March 2026

NBS applies a four-stage model in accordance with *NZ IFRS 9: Financial Instruments*, to measure expected credit losses associated with its debt instruments measured at amortised cost. The four-stage model is as follows:

Stage one	**Not deteriorated**	ECL is based on the 12 month expected credit losses that may occur in the 12 months after reporting date. The expectation is estimated by using a combination of historical losses and forward-looking base case economic scenarios to assess the entire loan book. Stage one includes financial assets belonging to clients with a low risk of default that have a strong capacity to meet contractual cash flows (interest and/or principal repayments).
Stage two	**Deteriorated: accounts 30 days or more in arrears or increased risk of default**	Lifetime ECL is the result from possible default events over the expected life of a financial instrument that are objective and measurable. When such an event occurs the financial asset is moved from stage one to stage two. Increase in credit risk is presumed if the loans and advances are 30 days or more past due in making contractual repayment, or when there is reasonable and/or supportable information that there is an increase in the risk of default occurring on the asset as at the reporting date.
Stage three	**Credit impairments**	When objective evidence of credit impairments emerges with one or more events having a detrimental impact on future cash flows the financial asset is moved to stage three. NBS considers observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets. Loans and advances are deemed credit impaired when they are 90 days or more past due in making contractual repayments and/or when there is objective evidence of the events that indicate the borrower is in significant financial difficulty and/or NBS has exhausted all options to rehabilitate a debt and expects to incur a loss. The loan to value ratio (LVR) is monitored to evaluate whether sale proceeds from the sale of the security would satisfy the value of the outstanding financial asset. Where appropriate impaired assets are specifically provided for on an individual basis.
Stage four	**Loss**	Financial assets are written off when NBS has exhausted all of its powers in respect of the security held and there are no further avenues to recover the amounts outstanding to NBS.

Across the four-stage model, NBS uses a probability weighted scenario approach to determine the final expected credit loss provision. The three scenarios are high, mid and low case with each scenario incorporating different economic assumptions. A probability is applied to each scenario to determine the final provision. NBS' board of directors review and approve the probabilities weightings applied.

At the end of each reporting period, NBS assesses whether there has been a significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between that of the reporting date to that of the date of initial recognition.

NBS assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type (mortgage, consumer and/or personal loans) credit risk ratings, collateral and other relevant factors.

NBS considers its historical loss experience and adjusts this for current observable data. In addition, NBS uses reasonable and supportable forecast of future economic conditions including experienced judgement to estimate the amount of an expected credit loss. *NZ IFRS 9* introduces the use of macroeconomic factors which include, but are not limited to, unemployment, interest rates, inflation and expected movement in property prices. Consideration is also given to the current and forecast direction in economic cycles. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL.

The methodology and assumptions underlying the ECL calculation are reviewed annually.

If in a subsequent period, the credit quality improves and reverses any previously assessed increase in credit risk since origination, the provision for expected credit loss reverts from a full lifetime ECL to 12 months ECL.

- **Nature and effect of modifications on the measurement of expected credit losses**

NBS sometimes renegotiates or otherwise modifies contracts with counterparties. The revised terms may alter the timing of the contractual cash flow, but do not result in de-recognition of the original loan, unless the revision terms are substantially different to those of the original loan. In these cases, NBS assesses whether a significant increase in credit risk has occurred, by comparing the risk of default occurring under the revised terms as at the reporting period with the initial recognition under the original terms.

h. Property, plant and equipment

Land and buildings are initially recognised at cost and are subsequently measured at fair value by an independent registered valuer. Valuations of land and buildings are carried out at least once every three years. Land and buildings are carried at the revalued amount less accumulated depreciation and accumulated impairment losses. Other items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Cost of an asset is the fair value of the consideration provided plus incidental costs directly attributable to the acquisition of the asset and includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the *Income Statement* as an expense as incurred. Impairment losses are included in the *Statement of Comprehensive Income in Movement in Revaluation of Property Net of Income Tax* to the extent that there is a credit balance held in the revaluation reserve in respect of that land and buildings. Any impairment losses exceeding the balance held in the revaluation reserve relating to a previous revaluation of that asset is recognised in the *Income Statement.*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the *Income Statement* in the period the item is derecognised.

Revaluation

Land and buildings are carried at the revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation of buildings and accumulated impairment losses.

Where the land and building is revalued, any revaluation surplus net of tax is credited in other comprehensive income and accumulated in the asset revaluation reserve included in equity unless it reverses a revaluation decrease of the same asset previously recognised in the profit and loss. Any revaluation deficit is recognised in the profit and loss unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to a particular asset being disposed is transferred to retained earnings.

Depreciation

Depreciation is provided in the *Financial Statements* on all property, plant and equipment other than land, on a basis which will write down the net cost or revalued amount of each item of property, plant and equipment over its expected useful life.

Depreciation rates are reviewed annually.

The following methods and rates have been applied to the major categories:

	Estimated life	**Method**
Buildings	60 years	Straight line
Computer equipment and hardware	Two-five years	Straight line
Other assets, including motor vehicles, promotional items, signage, office equipment and office fitout and furniture	Two-seven years	Straight line

i. Leases

NBS assesses whether a contract is or contains a lease, at inception of the contract. NBS recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases, defined as leases with a lease term of 12 months or less. For these leases, NBS recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is presented as a separate line in the *Statement of Financial Position*. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

NBS remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate unless the lease payments change is due to a change in a variable interest rate, in which case a revised discount rate is used
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever NBS incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under *NZ IAS 37*. To the extent that the costs relate to a right of use asset, the costs are included in the related right of use asset.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that NBS expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the *Statement of Financial Position*.

NBS applies *NZ IAS 36* to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the *Property, Plant and Equipment Policy*. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other expenses' in the *Income Statement*.

As a practical expedient, *NZ IFRS 16* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. NBS has not used this practical expedient. For contracts containing a lease component and one or more additional lease or non-lease components, NBS allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

j. Liabilities

NBS classifies its financial liabilities at amortised cost.

Borrowings

Term and call borrowings are measured initially at fair value plus transaction costs. Subsequent to initial recognition term and call borrowings are measured at amortised cost and are recorded in the *Statement of Financial Position* inclusive of accrued interest. Interest payable on borrowings is recognised using the effective interest rate method.

Derecognition of financial liabilities

NBS derecognises a financial liability from its *Statement of Financial Position*, when it is extinguished.

Trade and other payables

Trade and other payables and accrued expenses are recognised when NBS becomes obliged to make future payments resulting from the purchase of goods and services. They are measured initially at fair value plus transaction costs. Subsequent to initial recognition trade and other payables are carried at amortised cost. These amounts are unsecured.

Employee entitlements - wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, are recognised in other provisions in respect of employees' services and are measured at the amounts expected to be paid when the liabilities are settled.

Other provisions

Provisions are recognised when NBS has a present obligation (legal or constructive) as a result of a past event, it is probable that NBS will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

k. Equity

Debt and equity instruments

Perpetual preferential shares are classified as equity and are recognised at the amount paid per perpetual preferential share.

Debt and equity instruments are classified in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the *Statement of Financial Position* classification of the related debt or equity instruments.

Notes to the Financial Statements

For the year ended 31 March 2026

l. ***Statement of Cash Flows***

Basis of presentation

The *Statement of Cash Flows* has been prepared using the direct approach modified by the netting of certain items disclosed below.

Operating activities are the principal revenue producing activities of NBS and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity of the entity.

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of NBS.

Netting of cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of clients and reflect the activities of those clients rather than NBS. These include client borrowings.

m. New and revised *NZ IFRS* standards in issue but not yet effective

There are a number of standards, amendments and interpretations which have been approved but are not yet effective that NBS expects to adopt when they become mandatory.

***NZ IFRS 18* Presentation and disclosure in financial statements**

NZ IFRS 18 was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027. It includes requirements for all entities applying *NZ IFRS* for the presentation and disclosure of information in financial statements. There will be changes to the structure of the income statement with categories including operating, investing and financing required to be disclosed as well as requiring certain subtotals. The standard also makes changes in the area of reporting management-defined performance measures, and the aggregation and disaggregation of the financial statements and notes. Retrospective application will be required with comparative information needing to be provided, and a reconciliation will need to be performed between how the income statement was presented for the comparative period and how it is presented in the year of the adoption of *NZ IFRS 18*. The full impacts of the amendments is yet to be assessed.

Amendments to the classification and measurement of financial instruments (Amendments to *NZ IFRS 9* and *NZ IFRS 7*)

The changes were issued in June 2024 and apply to annual reporting periods beginning on or after 1 January 2026. The amendments amend or clarify:

- requirements for derecognition of financial liabilities settled through electronic transfer
- application guidance for assessing whether cash flows of a financial asset are consistent with those of a basic lending arrangement
- guidance on financial assets with non-recourse features
- characteristics of contractually linked instruments
- disclosure requirements for investments designated at fair value through other comprehensive income
- disclosure requirements regarding contractual terms that change the amount or timing of cash flows.

The full impact of the amendments is yet to be assessed.

n. Comparative figures

There have been a number of prior year comparatives which have been reclassified to make disclosure presentation consistent with the current year.

Notes to the Financial Statements

For the year ended 31 March 2026

1.	Auditor's remuneration	Note	Year to 31/03/2026 $000	Year to 31/03/2025 $000
	Financial statement audit[1]		318	382
	Other audit related services[2]		51	46
	Other services[3]		26	62
	Total fees paid to auditor		**395**	**490**

[1] Year to 31/03/2025 amount includes $161k related to 31/03/2024 audit

[2] Fees are for agreed upon procedures in respect of trustee reporting and assurance services in respect of climate disclosures - selected GHG disclosures

[3] Fees are for reasonable assurance engagement in relation to the register of debt securities, and non assurance services in respect of taxation advisory

2. Operating expenses

	Note	Year to 31/03/2026 $000	Year to 31/03/2025 $000
Operating expenses include:			
Personnel cost		13,245	13,863
Auditor's remuneration	1	395	490
Amortisation and depreciation		462	602
Right-of-use asset amortisation and interest	9	433	490
Directors' fees	23	489	425
Customer remediation	12	1,138	1,350
Restructuring costs	12	165	-

3. Taxation

(a) Income tax recognised in the *Income Statement*

	Year to 31/03/2026 $000	Year to 31/03/2025 $000
Current income tax expense	2,287	913
Adjustments recognised in relation to the current income tax of prior periods	(288)	(151)
Deferred tax expense relating to the origination and reversal of temporary differences	(809)	(33)
Adjustments recognised in relation to the deferred tax of prior periods	299	155
Total income tax expense recognised in the *Income Statement*	**1,489**	**884**

The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:

	Year to 31/03/2026 $000	Year to 31/03/2025 $000
Profit before tax	4,272	3,104
Taxation thereon at 28%	1,196	869
Tax effect of expenses that are not deductible in determining taxable profit	282	11
Under provision of income tax in previous year	11	4
Total income tax expense recognised in the *Income Statement*	**1,489**	**884**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2025: 28%) payable by New Zealand companies under New Zealand tax law.

(b) Current tax (receivables)/liabilities

	Year to 31/03/2026 $000	Year to 31/03/2025 $000
Balance at the beginning of the year	(1,234)	(1,686)
Current income tax expense	2,287	913
Adjustments recognised in relation to the current income tax of prior periods	(288)	(151)
Income taxes paid	(200)	(310)
Use of Tax Losses	(349)	-
Balance at end of year	**216**	**(1,234)**

Notes to the Financial Statements

For the year ended 31 March 2026

	Year to 31/03/2026 $000	Year to 31/03/2025 $000
(c) Deferred taxation		
Balance at beginning of year	3,163	3,285
Charged to the *Income Statement*	161	(122)
Balance at end of year (deferred tax asset)	**3,324**	**3,163**
Deferred tax relates to:		
Allowance for expected credit losses	3,144	2,900
Property, plant and equipment	(730)	(741)
Leases	59	62
Employee entitlements	472	305
Tax loss carried forward	-	349
Other temporary differences	379	288
	3,324	**3,163**
Deferred tax recognised in the *Income Statement*		
Allowance for expected credit losses	244	56
Property, plant and equipment	11	18
Leases	(3)	9
Employee entitlements	167	(57)
Tax loss carried forward	(349)	349
Other temporary differences	91	(497)
Total deferred tax recognised in the *Income Statement*	**161**	**(122)**
(d) Imputation credit account		
Balance at beginning of year	24,970	25,036
Income taxes paid	200	310
Current year tax accrual	2,287	913
Dividends paid	(925)	(1,212)
Prior year adjustment and accrual reversal	(914)	(77)
Balance at end of year	**25,618**	**24,970**

4. Cash and cash equivalents

	Year to 31/03/2026 $000	Year to 31/03/2025 $000
Bank deposits at call	144,924	237,287
Term deposits held with New Zealand banks	15,048	-
Cash on hand	2,496	2,403
	162,468	**239,690**

Notes to the Financial Statements

For the year ended 31 March 2026

5. Loans and advances	Note	31/03/2026 $000	31/03/2025 $000
Secured		826,965	802,385
Unsecured		438	533
Gross loans and advances		**827,403**	**802,918**
Less allowance for expected credit losses	6	(11,146)	(10,280)
Total net loans and advances		**816,257**	**792,638**

6. Allowance for expected credit losses

NBS manages NBS' performance from a product perspective and has identified the following segments of its business:

Residential: This part of the business offers home loans to clients.

Commercial: This part of the business offers commercial loans to clients.

Consumer: This type of loan allows clients to borrow a lump sum for a particular purpose (eg, car loans) through a dealer network.

Personal: This type of loan allows clients to borrow a lump sum for a particular purpose.

Overdrafts: These are overdrafts on deposit accounts.

	31/03/2026				
	$000	$000	$000	$000	$000
	Stage one	Stage two	Stage three	Specific	Total
Allowance for expected credit losses					
Residential	590	583	629	60	1,862
Commercial	1,736	870	13	4,504	7,123
Consumer	55	36	142	1,691	1,924
Personal	3	-	1	-	4
Overdrafts	38	22	-	173	233
	2,422	**1,511**	**785**	**6,428**	**11,146**
Balance at beginning of year	2,116	5,767	384	2,013	10,280
Transfer between stages	98	(3,904)	173	3,633	-
Movement in allowance	303	(351)	240	1,640	1,832
Amounts written off	(95)	(1)	(12)	(858)	(966)
Balance at end of year	**2,422**	**1,511**	**785**	**6,428**	**11,146**

	$000	$000	$000	$000	$000	$000
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Allowance for expected credit losses						
Amounts written off	-	47	975	-	-	1,022
Allowance for unrecognised loan commitments	7	3	(1)	-	(1)	8
Collective allowance	781	(3,728)	(590)	-	(14)	(3,551)
Specific allowance	35	4,385	(171)	-	168	4,417
Credit impairment charge to *Income Statement*	**823**	**707**	**213**	-	**153**	**1,896**

Notes to the Financial Statements

For the year ended 31 March 2026

	31/03/2026				
	$000	$000	$000	$000	$000
	Stage one	Stage two	Stage three	Specific	Total
Loans and advances					
Residential	367,992	4,640	3,161	122	375,915
Commercial	404,901	5,969	55	25,231	436,156
Consumer	5,619	260	477	1,942	8,298
Personal	435	-	3	-	438
Overdrafts	5,676	130	-	404	6,210
Subtotal	**784,623**	**10,999**	**3,696**	**27,699**	**827,017**
Unearned income					386
Gross loans and advances	**784,623**	**10,999**	**3,696**	**27,699**	**827,403**
Allowance for expected credit losses	(2,422)	(1,511)	(785)	(6,428)	(11,146)
Total loans and advances	**782,201**	**9,488**	**2,911**	**21,271**	**816,257**

		$000	$000	$000	$000	$000	$000
	Note	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Expected credit loss allocated to unrecognised loan commitments							
Unrecognised loan commitment		32,312	77,015	383	3	9,269	118,982
Expected credit loss allowance	12	12	63	1	-	8	84
Movement from prior year		**7**	**3**	**(1)**	**-**	**(1)**	**8**

	$000	$000	$000	$000	$000	$000
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Impact from changes in loan carrying balances and committed loans						
Increase in allowance from loan originations	150	946	-	1	10	1,107
Decrease in allowance from loan derecognitions	(125)	(1,035)	(485)	(1)	(8)	(1,654)
Change in allowance from continuing loans	791	746	(276)	-	152	1,413
Net movement in collective and specific allowance	**816**	**657**	**(761)**	**-**	**154**	**866**

	31/03/2025				
	$000	$000	$000	$000	$000
	Stage one	Stage two	Stage three	Specific	Total
Allowance for expected credit losses					
Residential	322	537	161	25	1,045
Commercial	1,652	4,684	10	120	6,466
Consumer	109	501	212	1,863	2,685
Personal	3	-	1	-	4
Overdrafts	30	45	-	5	80
	2,116	**5,767**	**384**	**2,013**	**10,280**
Balance at beginning of year	2,734	5,536	1,523	250	10,043
Transfer between stages	307	(372)	(557)	622	-
Movement in allowance	(922)	631	(361)	1,202	550
Amounts written off	(3)	(28)	(221)	(61)	(313)
Balance at end of year	**2,116**	**5,767**	**384**	**2,013**	**10,280**

	$000	$000	$000	$000	$000	$000
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Allowance for expected credit losses						
Amounts written off	-	26	700	12	32	770
Allowance for unrecognised loan commitments	(2)	(38)	(1)	-	3	(38)
Collective allowance	161	(377)	(1,151)	-	(160)	(1,527)
Specific allowance	-	50	1,708	-	5	1,763
Credit impairment charge to *Income Statement*	**159**	**(339)**	**1,256**	**12**	**(120)**	**968**

	31/03/2025				
	$000	$000	$000	$000	$000
	Stage one	Stage two	Stage three	Specific	Total
Loans and advances					
Residential	343,773	5,468	1,025	123	350,389
Commercial	394,770	28,553	45	279	423,647
Consumer	15,026	3,789	713	3,010	22,538
Personal	531	-	2	-	533
Overdrafts	5,718	261	-	24	6,003
Subtotal	**759,818**	**38,071**	**1,785**	**3,436**	**803,110**
Unearned income	-	-	-	-	(192)
Gross loans and advances	**759,818**	**38,071**	**1,785**	**3,436**	**802,918**
Allowance for expected credit losses	(2,116)	(5,767)	(384)	(2,013)	(10,280)
Total loans and advances	**757,702**	**32,304**	**1,401**	**1,423**	**792,638**

		$000	$000	$000	$000	$000	$000
	Note	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Expected credit loss allocated to unrecognised loan commitments							
Unrecognised loan commitment		26,694	59,493	825	39	9,367	96,418
Expected credit loss allowance	12	5	60	2	-	9	76
Movement from prior year		**(2)**	**(38)**	**(1)**	**-**	**3**	**(38)**

Notes to the Financial Statements

For the year ended 31 March 2026

	$000 Residential	$000 Commercial	$000 Consumer	$000 Personal	$000 Overdrafts	$000 Total
Impact from changes in loan carrying balances and committed loans						
Increase in allowance from loan originations	124	820	-	1	7	952
Decrease in allowance from loan derecognitions	(124)	(1,152)	(369)	(1)	(36)	(1,682)
Change in allowance from continuing loans	162	4	926	-	(126)	966
New movement in collective and specific allowance	**162**	**(328)**	**557**	**-**	**(155)**	**236**

Expected credit loss assumptions

The expected credit loss (ECL) charge and ECL allowance are based on management's judgement using a variety of internal and external information. The judgements and associated assumptions are made by considering historical loss experience and expectations of future events based on reasonable and supportable forecasts of future economic conditions. Whilst best judgement is used when considering assumptions, NBS' ECL estimates inherently involve an element of uncertainty, accordingly, actual results may differ from these estimates.

Judgement/ assumption	Changes and considerations during the year ended 31 March 2026
Determining when a significant increase in credit risk (SICR) has occurred	Various initiatives, such as restructured lending facilities and payment deferrals are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade client facilities.
Measuring both 12 month and lifetime credit losses	The PD, EAD and LGD models are subject to NBS' model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 31 March 2026. There were no changes to behavioural lifetime estimates during the year ended 31 March 2026.
Base case economic forecast	NBS derives a forward looking "base case" economic scenario which reflects their view of the most likely future macro economic conditions. The expected outcomes of key economic drivers for the base case scenario and upside and downside scenarios as at 31 March 2026 and those previously used as at 31 March 2025 are described below under the heading "Scenario assumptions".
Probability weighting of each scenario (base case, upside and downside scenarios)	The key consideration for probability weightings in the current year is unemployment and property values. In addition to the base case forecast, weighting has been applied to the downside and upside scenarios to determine the appropriate allowance. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. NBS considers these weightings in each scenario to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within NBS' credit portfolios in determining them. The probability weightings for the weighted scenario used in the financial statements are described below under the heading "Probability weighting".

Scenario assumptions

The economic drivers of the economic forecasts at 31 March 2026 and 31 March 2025 are set out below:

31/03/2026

Input used within the different scenarios	Upside scenario	Base case scenario	Downside scenario
Unemployment rate	4.80%	5.10%	5.40%
Residential property values	3.90%	2.60%	1.10%

31/03/2025

Input used within the different scenarios	Upside scenario	Base case scenario	Downside scenario
Unemployment rate	4.40%	4.83%	5.20%
Residential property values	9.90%	7.15%	4.70%

Probability weighting

	Weighting applied 31/03/2026	Weighting applied 31/03/2025
Upside scenario	5%	5%
Base case scenario	50%	50%
Downside scenario	45%	45%

ECL - sensitivity analysis

The uncertainty surrounding house prices, interest rates and inflation introduce significant estimation uncertainty in relation to the measurement of NBS' allowance for expected credit losses. Economic indicators are inherently uncertain and could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by NBS should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL to key factors used in determining it by showing the results of what the total allowance for ECL would be if a 100% weighting was applied to each scenario and how much this would change the current surplus by:

	Total allowance for ECL ($000)	Impact on *Income Statement* profit ($000)	Increase or decrease in profit
Upside scenario	10,841	389	Increase
Base scenario	11,118	112	Increase
Downside scenario	11,398	(168)	Decrease

Notes to the Financial Statements

For the year ended 31 March 2026

7. Asset quality

	31/03/2026					
	$000	$000	$000	$000	$000	$000
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Asset quality						
Past due but not impaired	3,625	841	202	-	-	4,668
Impaired	3,283	25,286	2,419	3	404	31,395
Neither past due nor impaired	369,007	410,029	5,677	435	5,806	790,954
Unearned income	416	(138)	111	(3)	-	386
Total	**376,331**	**436,018**	**8,409**	**435**	**6,210**	**827,403**

At 31 March 2026, there was $32k (31 March 2025: $203k) of trade receivables that was neither past due or impaired. Interest income on impaired financial assets was $1,887k (31 March 2025: $406k).

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Ageing of past due assets						
Past due 1-29 days	1,809	68	73	-	-	1,950
Past due 30-59 days	1,155	17,977	102	-	-	19,234
Past due 60-89 days	661	-	28	-	-	689
Past due 90 days+	3,283	55	2,419	3	-	5,760
Carrying amounts	**6,908**	**18,100**	**2,622**	**3**	**-**	**27,633**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Movements in impaired assets						
Balance at beginning of year	1,149	324	3,722	2	24	5,221
Assets classified as past due/impaired	2,121	25,286	182	-	377	27,966
Client repayments and recoveries	13	(44)	(614)	1	3	(641)
Loan balance written off	-	(95)	(871)	-	-	(966)
Assets no longer meeting definition	-	(185)	-	-	-	(185)
Balance at end of year	**3,283**	**25,286**	**2,419**	**3**	**404**	**31,395**

	31/03/2025					
	$000	$000	$000	$000	$000	$000
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Asset quality						
Past due but not impaired	4,634	26,610	3,776	-	-	35,020
Impaired	1,148	324	3,723	2	24	5,221
Neither past due nor impaired	344,606	396,712	15,039	531	5,981	762,869
Unearned income	(374)	(347)	535	(6)	-	(192)
Total	**350,014**	**423,299**	**23,073**	**527**	**6,005**	**802,918**

Notes to the Financial Statements

For the year ended 31 March 2026

	31/03/2025					
	$000	$000	$000	$000	$000	$000
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Ageing of past due assets						
Past due 1-29 days	2,542	934	485	-	-	3,961
Past due 30-59 days	1,728	25,676	140	-	-	27,544
Past due 60-89 days	363	-	3,169	-	-	3,532
Past due 90 days+	1,149	139	3,670	2	-	4,960
Carrying amounts	**5,782**	**26,749**	**7,464**	**2**	**-**	**39,997**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Movements in impaired assets						
Balance at beginning of year	1,236	2,691	3,115	-	-	7,042
Assets classified as past due/impaired	673	44	1,526	2	24	2,269
Client repayments and recoveries	(60)	(2,381)	(689)	-	-	(3,130)
Loan balance written off	-	(30)	(218)	-	-	(248)
Assets no longer meeting definition	(701)	-	(11)	-	-	(712)
Balance at end of year	**1,148**	**324**	**3,723**	**2**	**24**	**5,221**

8. Property, plant and equipment

	31/03/2026			
	$000	$000	$000	$000
Cost or fair value	Freehold land and buildings	Computer equipment and hardware	Other assets	Total
Balance at beginning of year	**3,310**	**1,407**	**2,753**	**7,470**
Additions	-	239	79	318
Disposals	-	-	(130)	(130)
Balance at end of year	**3,310**	**1,646**	**2,702**	**7,658**
Accumulated depreciation and impairment				
Balance at beginning of year	**(46)**	**(1,142)**	**(1,810)**	**(2,998)**
Depreciation	(45)	(152)	(265)	(462)
Accumulated depreciation on disposed assets	-	-	102	102
Balance at end of year	**(91)**	**(1,294)**	**(1,973)**	**(3,358)**
Net book value at end of year	**3,219**	**352**	**729**	**4,300**

Notes to the Financial Statements

For the year ended 31 March 2026

Cost or fair value	31/03/2025 $000 Freehold land and buildings	 $000 Computer equipment and hardware	 $000 Other assets	 $000 Total
Balance at beginning of year	3,310	1,227	2,695	**7,232**
Revaluation	-	-	-	-
Additions	-	180	126	306
Disposals	-	-	(68)	(68)
Balance at end of year	**3,310**	**1,407**	**2,753**	**7,470**
Accumulated depreciation and impairment				
Balance at beginning of year	**-**	**(942)**	**(1,496)**	**(2,438)**
Depreciation	(46)	(200)	(341)	(587)
Accumulated depreciation on disposed assets	-	-	27	27
Revaluation	-	-	-	-
Balance at end of year	**(46)**	**(1,142)**	**(1,810)**	**(2,998)**
Net book value at end of year	**3,264**	**265**	**943**	**4,472**

NBS' freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation expense is included in the line item 'amortisation and depreciation' expense in the *Income Statement*.

The freehold land and buildings of NBS were valued by Duke & Cook Limited, independent registered valuers not related to NBS, as at March 2024. They have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. These are valued on the basis of market value for highest and best use. A rental capitalisation valuation methodology has been used in determining this value. This is a level 3 measurement under the fair value hierarchy. The rental capitalisation rate adopted for the valuation of the property was 5.65%. A significant decrease/increase in the rental capitalisation rate would result in an increase/decrease to the fair value of the land and buildings.

Had NBS' freehold land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	31/03/2026 $000	31/03/2025 $000
Freehold land	16	16
Buildings	2,105	2,149
	2,121	**2,165**

Notes to the Financial Statements

For the year ended 31 March 2026

9. Leases (NBS as a lessee)

	31/03/2026 $000	31/03/2025 $000
Right-of-use assets		
Cost		
Balance at beginning of year	3,195	3,287
Additions from remeasurement of leases	(144)	(92)
Balance at end of year	**3,051**	**3,195**
Accumulated depreciation		
Balance at beginning of year	(1,597)	(1,259)
Depreciation expense	(332)	(338)
Balance at end of year	**(1,929)**	**(1,597)**
Net book value at end of year	**1,122**	**1,598**

NBS leases seven properties under the criteria set in *NZ IFRS 16* (31 March 2025: eight).
The average remaining lease term is four years (31 March 2025: five years).

	31/03/2026 $000	31/03/2025 $000
Amounts recognised in the *Income Statement*		
Depreciation expense on right-of-use asset	332	338
Interest expense on lease liabilities	101	152
	433	**490**

	31/03/2026 $000	31/03/2025 $000
Lease liabilities		
Maturity analysis - undiscounted cash flows		
Year one	348	459
Year two	253	424
Year three	217	329
Year four	217	275
Year five	163	216
Onwards	609	755
Total	**1,807**	**2,458**
Less: unearned interest	**(472)**	**(639)**
Lease liabilities	**1,335**	**1,819**

NBS does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the NBS treasury function. All lease obligations are denominated in NZD.

Notes to the Financial Statements

For the year ended 31 March 2026

10. Trade and other payables

	31/03/2026 $000	31/03/2025 $000
Trade payables and accruals	1,663	1,012
Payroll tax and other statutory liabilities	688	908
	2,351	**1,920**

Trade payables are unsecured and are usually paid within 30 days of recognition.

11. Deposits and other borrowings

	31/03/2026 $000	31/03/2025 $000
Call borrowings - depositors	330,263	325,442
Term borrowings - depositors	632,116	687,262
Total borrowings	**962,379**	**1,012,704**

	31/03/2026 $000		31/03/2025 $000	
	Amount	Weighted average interest rate %	Amount	Weighted average interest rate %
Maturity analysis				
Borrowings at call	330,263	0.23	325,442	0.64
Between zero and one year	577,737	3.50	656,499	5.02
Between one and two years	42,263	3.71	27,273	5.08
Between two and five years	12,116	3.97	3,490	4.67
Total borrowings	**962,379**	**2.39**	**1,012,704**	**3.61**

All borrowings are unsecured.

Other information: the depositor compensation scheme protects up to $100k per eligible depositor per deposit taker in the event of a deposit taker failure. It is to be funded by levies collected from deposit takers, including NBS, and commenced on 1 July 2025. For more information about the scheme, please refer to RBNZ's website at www.rbnz.govt.nz/dcs.

Notes to the Financial Statements

For the year ended 31 March 2026

12. Other provisions

	Note	31/03/2026 $000	31/03/2025 $000
Allowance for expected credit losses - unrecognised loan commitments	6	84	76
Customer remediation		1,236	1,264
Restructuring costs		165	-
		1,485	**1,340**

Refer to note 6 for movement in the allowance for expected credit losses - unrecognised loan commitments.

Customer remediation includes provisions for expected payments to customers and related regulatory claims, penalties and costs. More information is included under the heading customer remediation below. Refer to Note 14.

Provisions for restructuring costs arise from activities related to changes in the scope of the business undertaken by NBS or the manner in which that business is undertaken and include employee termination benefits.

Customer remediation

	31/03/2026 $000	31/03/2025 $000
Customer remediation balance at beginning of year	**1,264**	**5,821**
New and increased provisions during the year	1,138	2,288
Provisions used during the year	(1,166)	(5,907)
Unused amounts reversed during the year	-	(938)
Customer remediation balance at end of year	**1,236**	**1,264**
Restructuring		
Restructuring balance at beginning of year	-	-
New and increased provisions during the year	165	-
Restructuring balance at end of year	**165**	**-**

13. Share capital

	31/03/2026 Number of shares	31/03/2026 Amount $000	31/03/2025 Number of shares	31/03/2025 Amount $000
Share capital	49,621,000	49,621	49,621,000	49,621

The subscription price for the perpetual preference shares (PPS) is $1 each. Shares were redeemed for $1 each.

Each perpetual preference share (‘PPS’) attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus of NBS. Dividends were paid at 7.23% for quarter one, and 6.91% for quarter two, 6.43% for quarter three, and 6.05% for quarter four. (31 March 2025: 9.24% for quarter one, 9.21% for quarter two, 8.54% for quarter three, and 7.89% for quarter four). NBS can cancel the payment of a dividend by giving the holder a *Dividend Cancellation Notice*.

NBS paid dividends of $2,378k for the year ending 31 March 2026. (31 March 2025: $3,117k).

The PPS are voting (one right to vote per member). Upon a winding up, the PPS rank equally among themselves but behind the claims of all secured and unsecured creditors of NBS.

Notes to the Financial Statements

For the year ended 31 March 2026

14. Commitments and contingent liabilities

NBS has a commitment for loans approved but not yet paid at 31 March 2026 of $119m (31 March 2025: $96.4m).

NBS has issued bond guarantees at 31 March 2026 of $1,160k (31 March 2025: $793k).

Contingent liabilities

NBS routinely reviews compliance matters. As a result of past reviews relating to consumer credit legislation, NBS self-reported four matters to the Commerce Commission. These were the subject of a Commerce Commission investigation. NBS anticipates that it is now highly likely to be the subject of court enforcement action resulting in the payment of a fine and penalties. Legal advice has been sought and appropriate provisions have been made based on that advice (refer to note 12), although there may be additional regulatory exposures.

15. Asset and liability categorisation

	31/03/2026 $000	31/03/2025 $000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	1,060,330	1,107,153
Financial liabilities		
Financial liabilities held at amortised cost	966,065	1,016,443

All financial assets and financial liabilities of NBS are held at amortised cost.

16. Fair value of financial assets and liabilities

Disclosed below is the estimated fair value of NBS' financial instruments disclosed in terms of *NZ IFRS 7: Financial Instruments Disclosures* and *NZ IFRS 13: Fair Value Measurements*.

Methodologies

NBS uses valuation techniques within the following hierarchy to determine the fair value of the financial instruments:

Level one: Fair values are determined using quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level two: Fair values are determined using other techniques where all inputs, other than those included in level one, which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level three: Fair values are determined using techniques that use inputs which have significant effect on the recorded fair value but are not based on observable market data.

There have been no transfers between levels during the year. The following methods have been used:

Cash and cash equivalents, trade receivables and trade and other payables

The fair value of cash and cash equivalents, trade receivables and trade and other payables approximate the carrying value due to their short term nature.

Term deposits

The fair values of term deposits are not significantly different from their carrying amounts.

Mortgages, personal loans, consumer lending and overdrafts

For variable rate advances the carrying amount is a reasonable estimate of fair value. For fixed rate advances fair values have been estimated using the discounted cash flow approach by reference to current rates for the term at original fixing.

Deposits and other borrowings

The fair value of demand deposits is the amount payable on demand at reporting date. For other liabilities with maturities of less than three months the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of three months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated using the discounted cash flow approach by reference to interest rates currently offered for similar liabilities of similar maturities. Borrowings are classified as level two within the fair value hierarchy.

		31/03/2026 $000		31/03/2025 $000
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	162,468	162,468	239,690	239,690
Term deposits	81,573	81,573	74,622	74,622
Trade receivables	32	32	203	203
Mortgages	812,345	813,282	773,277	779,043
Personal loans	438	423	533	519
Consumer lending	8,410	8,526	23,104	22,723
Overdrafts	6,210	6,210	6,004	6,004
Less provision for credit impairment	(11,146)	(11,146)	(10,280)	(10,280)
Total financial assets	**1,060,330**	**1,061,368**	**1,107,153**	**1,112,524**
Financial liabilities				
Trade and other payables	2,351	2,351	1,920	1,920
Borrowings	962,379	967,090	1,012,704	1,022,349
Total financial liabilities	**964,730**	**969,441**	**1,014,624**	**1,024,269**

17. Liquidity risk

Liquidity risk is the risk that NBS will encounter difficulty in meeting commitments associated with its financial liabilities (eg, call borrowings, term borrowings and future commitments including loan draw-downs and guarantees). NBS manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitment based on historical and forecasted cash flow requirements.

NBS monitors its liquidity position on a regular basis, looking out to 90 days to assess potential funding requirements. This is managed in light of historical reinvestment rates in excess of 70% and through significant cash and term deposit reserves.

To meet both expected and unexpected fluctuations in operating cash flows NBS maintains a stock of liquid investments which it considers from analysis of historical cash flows, forecast cash flows and the current composition of the *Statement of Financial Position* to be adequate.

Cash demands are usually met by realising liquid investments on maturity and raising new deposits.

Asset liquidity includes cash and cash equivalents, term deposits, trade receivables and loans and advances.

The primary funding source for NBS comes from its clients who reside in the Nelson, Tasman, West Coast, Golden Bay and Mid Canterbury regions.

Notes to the Financial Statements

For the year ended 31 March 2026

The following tables are prepared in accordance with *NZ IFRS 7* and analyse NBS' assets and liabilities into relevant maturity groupings based on the remaining period at the *Statement of Financial Position* date to the contractual maturity date. The amounts shown in the tables are based on the contractual undiscounted cash flows and therefore will not agree to the carrying values on the *Statement of Financial Position*. The tables include estimates made by management as to the average interest rate applicable for each asset or liability class during the contractual term.

The majority of the longer-term loans and receivables are housing loans, which are likely to be repaid earlier than their contractual terms, based on historical analysis. Loans and receivables with maturity dates within 24 months are expected to run to term, but it is expected that a proportion of the advances in the over 24-month category could repay earlier due to changes in the borrowers' personal circumstances, but on average would still remain in the over 24-month category.

Monetary assets receivable matched against liabilities payable

				31/03/2026 $000				
	On call and within three months	**Within six months**	**Six months to one year**	**One to two years**	**Two to five years**	**Greater than five years**	**No maturity**	**Total**
Monetary assets								
Cash and cash equivalents	162,468	-	-	-	-	-	-	**162,468**
Term deposits	46,511	21,334	13,728	-	-	-	-	**81,573**
Trade receivables	32	-	-	-	-	-	-	**32**
Mortgages and interest	46,205	30,695	54,906	58,890	160,130	731,598	53,859	**1,136,283**
Personal loans and interest	69	59	110	155	125	-	-	**518**
Consumer lending and interest	3,785	749	1,140	901	2,065	-	-	**8,640**
Overdrafts	-	-	-	-	-	-	6,210	**6,210**
Allowance for expected credit losses		-	-	-	-	-	(11,146)	**(11,146)**
Total monetary assets	**259,070**	**52,837**	**69,884**	**59,946**	**162,320**	**731,598**	**48,923**	**1,384,578**
Liabilities								
Trade and other payables	2,351	-	-	-	-	-	-	**2,351**
Lease liabilities	87	87	174	253	597	609	-	**1,807**
Deposits and other borrowings and interest	561,153	138,244	216,041	44,979	13,344	-	-	**973,761**
Total monetary liabilities	**563,591**	**138,331**	**216,215**	**45,232**	**13,941**	**609**	**-**	**977,919**
Net monetary assets/(liabilities)	**(304,521)**	**(85,494)**	**(146,331)**	**14,714**	**148,379**	**730,989**	**48,923**	**406,659**
Unrecognised loan commitments	(118,982)	-	-	-	-	-		**(118,982)**
Net liquidity gap	**(423,503)**	**(85,494)**	**(146,331)**	**14,714**	**148,379**	**730,989**	**48,923**	**287,677**

Notes to the Financial Statements

For the year ended 31 March 2026

Monetary assets receivable matched against liabilities payable

	31/03/2025 $000							
	On call and within three months	Within six months	Six months to one year	One to two years	Two to five years	Greater than five years	No maturity	Total
Monetary assets								
Cash and cash equivalents	239,690	-	-	-	-	-	-	**239,690**
Term deposits	16,561	48,024	10,037	-	-	-	-	**74,622**
Trade receivables	203	-	-	-	-	-	-	**203**
Mortgages and interest	38,305	31,244	54,881	61,146	172,312	741,745	73,355	**1,172,988**
Personal loans and interest	83	70	124	186	164	-	-	**627**
Consumer lending and interest	5,786	6,428	3,556	4,798	3,645	-	-	**24,213**
Overdrafts	-	-	-	-	-	-	6,004	**6,004**
Allowance for expected credit losses	-	-	-	-	-	-	(10,280)	**(10,280)**
Total monetary assets	**300,628**	**85,766**	**68,598**	**66,130**	**176,121**	**741,745**	**69,079**	**1,508,067**
Liabilities								
Trade and other payables	1,920	-	-	-	-	-	-	**1,920**
Lease liabilities	115	115	229	424	820	755	-	**2,458**
Deposits and other borrowings and interest	657,065	190,801	143,119	29,755	3,882	-	-	**1,024,622**
Total monetary liabilities	**659,100**	**190,916**	**143,348**	**30,179**	**4,702**	**755**	**-**	**1,029,000**
Net monetary assets/(liabilities)	**(358,472)**	**(105,150)**	**(74,750)**	**35,951**	**171,419**	**740,990**	**69,079**	**479,067**
Unrecognised loan commitments	(96,418)	-	-	-	-	-	-	**(96,418)**
Net liquidity gap	**(454,890)**	**(105,150)**	**(74,750)**	**35,951**	**171,419**	**740,990**	**69,079**	**382,649**

Although NBS has the right to call up loans and receivables in certain circumstances (eg, an event of default or where it becomes unlawful or significantly more expensive for NBS to extend the loan) prior to the end of the term, no such demands have been made. No estimate of the amount likely to be received from an early repayment of advances has been included in these financial statements. Where financial assets/liabilities are called the ability to liquidate a financial asset is constrained by the timeliness to realise the asset.

18. Credit risk

The nature of NBS' activities as a financial intermediary necessitates NBS dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that NBS could incur as a result of the counterparty to a contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements and any potential recoveries. The maximum amount of credit exposure is limited to the carrying amount of the financial assets disclosed in the *Statement of Financial Position* plus loan commitments. NBS is a provider of loans that could be impacted in the future by climate change, for example if sea level rose and certain properties were unable to get insurance or were impacted by climate change. NBS believes that climate change represents an implicit element in the application of methodologies and models used to perform estimates in the valuation and/or measurement of certain accounting items. NBS has provisioned a model overlay in the expected credit loss model to reflect general credit risks not directly incorporated into model assumptions.

NBS' activities are conducted within the bounds of prudent and conservative banking practice. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit management involves a thorough evaluation of the credit risk associated with potential borrowers, the taking of security against the loan and close ongoing monitoring of account performance. Loans which show signs of adverse performance are managed by the credit risk management function which is responsible for the collections and recovery process.

Financial instruments which potentially subject NBS to credit risk are mortgages, personal loans, overdrafts, consumer lending, cash and cash equivalents, term deposits and trade receivables. The majority of NBS' loans and receivables are secured by first mortgage over residential, commercial and agricultural properties. As a guideline NBS will lend up to 80% of a property's valuation by a registered valuer on a residential first mortgage and up to 60% on both commercial and agricultural first mortgages. The credit risk on loans and receivables is limited as security is held. Personal advances are generally secured by way of guarantee. The majority of consumer lending advances are secured by a registered charge over the asset.

In the normal course of business, NBS incurs credit risk from debtors. NBS has a credit policy, which is used to manage its exposure to unsecured advances. There are no significant concentrations of credit risk in any of the above areas. The majority of NBS' loans and receivables are residential mortgages. A significant portion of all loans and receivables are in the Nelson and Tasman regions, with more in West Coast, Golden Bay and Mid Canterbury regions. The service and product provision for each branch is similar; the class of client, methods of distribution and regulatory environment is consistent across all the branches.

Concentrations of credit risk to individual counterparties and bank counterparties

Credit risk becomes concentrated when a number of clients are engaged in similar activities, have similar economic characteristics or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. NBS monitors its credit portfolio to manage concentration risk. NBS also applies single client counterparty limits to protect against unacceptably large exposures to one single client.

The table below shows the numbers of bank counterparties or groups of closely related counterparties of which a bank is a parent and individual counterparties (other than banks or groups of closely related counterparties of which a bank is a parent) where NBS has large credit exposures. These have been disclosed in bands of 10% of NBS' equity at balance date.

	31/03/2026		**31/03/2025**	
% of equity	**Bank**	**Other**	**Bank**	**Other**
10-19	-	1	-	1
20-29	-	1	-	2
30-39	1	-	1	-
40-49	-	-	-	-
50-59	2	-	1	-
60-69	-	-	-	-
70-79	-	-	1	-
80-89	-	-	-	-
90+	1	-	1	-

The table below shows the level of lending by sector. NBS has five major sectors of lending.

Credit risk profile by sector

	31/03/2026 $000	**31/03/2025 $000**
Residential	580,030	513,526
Commercial	175,209	202,101
Agriculture	61,674	63,611
Personal lending	2,664	4,379
Consumer finance	7,826	19,301
	827,403	**802,918**

Information about major clients

At 31 March 2026, there was no one client that individually comprised 10% or more of the total revenue (31 March 2025: $nil).

19. Market risk

Market risk is the risk that changes in market prices, such as interest rate and credit spreads, could affect NBS' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NBS' exposure to market risk is managed operationally by treasury. Market risk is managed within a framework of policy limits, within the *Treasury Policy*.

Interest rate risk is the risk of loss arising from adverse changes in interest rates. NBS is exposed to interest rate risk in respect of borrowing from and lending to clients and investing in physical money market instruments. Changes in interest rates can impact NBS' financial results by affecting the spread earned on interest earning assets and interest paying liabilities and impacting on the market value of other financial instruments held.

NBS' normal lending terms allow it to reset variable interest rates at 30 days' notice.

Interest rates on term borrowings are fixed until their respective maturity dates. Approximately 94% of the borrowings can be repriced or mature within twelve months (31 March 2025: 97%).

The following table shows the next interest maturity date for financial assets and liabilities excluding interest with amounts without interest resets during the period of the loan being shown as "non interest sensitive assets":

Interest rate repricing schedule

				31/03/2026 $000				
	Effective interest rate %	**On call and within three months**	**Within six months**	**Six months to one year**	**One to two years**	**Greater than two years**	**Non interest sensitive assets**	**Total carrying amount**
Monetary assets								
Cash and cash equivalents	1.89%	162,468	-	-	-	-	-	**162,468**
Term deposits	3.42%	56,636	11,209	13,728	-	-	-	**81,573**
Trade receivables		-	-	-	-	-	32	**32**
Mortgages	5.61%	200,038	110,576	185,348	312,513	3,596	274	**812,345**
Personal loans	11.80%	-	-	-	-	-	438	**438**
Consumer lending	10.39%	-	-	-	-	-	8,410	**8,410**
Overdrafts	8.89%	6,210	-	-	-	-	-	**6,210**
Allowance for expected credit losses		-	-	-	-	-	(11,146)	**(11,146)**
Total monetary assets		**425,352**	**121,785**	**199,076**	**312,513**	**3,596**	**(1,992)**	**1,060,330**
Liabilities								
Deposits and other borrowings	2.39%	330,263	366,488	211,249	42,263	12,116	-	**962,379**
Trade and other payables		-	-	-	-	-	2,351	**2,351**
Total monetary liabilities		**330,263**	**366,488**	**211,249**	**42,263**	**12,116**	**2,351**	**964,730**
Net monetary assets/(liabilities)		**95,089**	**(244,703)**	**(12,173)**	**270,250**	**(8,520)**	**(4,343)**	**95,600**
Unrecognised loan commitments	5.68%	(118,982)	-	-	-	-	-	(118,982)
Interest sensitivity gap		**(23,893)**	**(244,703)**	**(12,173)**	**270,250**	**(8,520)**	**(4,343)**	**(23,382)**

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For the year ended 31 March 2026

Interest rate repricing schedule

		31/03/2025 $000						
	Effective interest rate %	On call and within three months	Within six months	Six months to one year	One to two years	Greater than two years	Non interest sensitive assets	Total carrying amount
Monetary assets								
Cash and cash equivalents	3.51%	231,699	-	-	-	-	7,991	**239,690**
Term deposits	5.10%	16,562	48,024	10,036	-	-	-	**74,622**
Trade receivables		-	-	-	-	-	203	**203**
Mortgages	7.10%	294,950	115,688	259,605	103,792	-	(758)	**773,277**
Personal loans	11.82%	-	-	-	-	-	533	**533**
Consumer lending	10.50%	4,491	-	-	-	-	18,613	**23,104**
Overdrafts	9.83%	6,004	-	-	-	-	-	**6,004**
Allowance for expected credit losses		-	-	-	-	-	(10,280)	**(10,280)**
Total monetary assets		**553,706**	**163,712**	**269,641**	**103,792**	**-**	**16,302**	**1,107,153**
Liabilities								
Deposits and other borrowings	3.61%	325,442	517,513	138,986	27,273	3,490	-	**1,012,704**
Trade and other payables		-	-	-	-	-	1,920	**1,920**
Total monetary liabilities		**325,442**	**517,513**	**138,986**	**27,273**	**3,490**	**1,920**	**1,014,624**
Net monetary assets/(liabilities)		**228,264**	**(353,801)**	**130,655**	**76,519**	**(3,490)**	**14,382**	**92,529**
Unrecognised loan commitments	5.94%	(96,418)	-	-	-	-	-	(96,418)
Interest sensitivity gap		**131,846**	**(353,801)**	**130,655**	**76,519**	**(3,490)**	**14,382**	**(3,889)**

Sensitivity analysis

In managing interest rate risk NBS aims to reduce the impact of short-term fluctuations. Over the long-term, however, permanent changes in interest rates will have an impact on surplus. At 31 March 2026 it is estimated that a general increase of one percentage point in interest rates would increase NBS' profit before income tax and equity by $331k (31 March 2025: increase profit by $99k). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, overdrafts, investments, bank deposits and consumer lending and deposits and other borrowings.

A decrease in interest rates would have the opposite impact on surplus than that described above.

20. Currency risk

NBS is not exposed to currency risk.

21. Operational risk

Operational risk is the risk arising from day-to-day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to NBS' reputation. Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. NBS aims to minimise the impact of operational risks by ensuring the appropriate risk management policies, controls, systems, staff and processes are in place. Where appropriate, risks are mitigated by insurance.

22. Capital adequacy

NBS' objectives in relation to capital adequacy are to comply with regulatory requirements, to maintain a strong capital base to cover the inherent risks of the business and maintain a targeted credit rating, and to support future business development and growth.

NBS is subject to regulation. The *Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010* state that the trust deed must include a minimal capital ratio and this must be not less than 8% if the deposit taker has a credit rating. NBS' *Trust Deed* specifies that its minimum capital ratio is 8% as long as NBS has a credit rating from an approved credit rating agency – which it currently does.

As at balance date all perpetual non-cumulative preference shares have full voting rights. As such their contribution towards NBS' capital is unrestricted. On this basis the risk weighted capital ratio (RWC) as at 31 March 2026 is 13.83% (31 March 2025: 12.81%), as calculated under the *Deposit Takers (Credit Ratings, Capital Ratios, and Related party Exposures) Regulations 2010* and the NBS *Trust Deed*.

The capital ratio is calculated as a percentage of NBS' capital to the sum of NBS' risk weight amount for credit risk and NBS' aggregate amount for market and operational risk.

NBS has, throughout the year, complied with all capital adequacy regulatory requirements pursuant to the Reserve Bank of New Zealand's *Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010*.

NBS' policy is to maintain a strong capital base so as to maintain investor, creditor and client confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and NBS recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The board of directors has ultimate responsibility for capital adequacy, approves capital policy and establishes minimum internal capital levels and limits. NBS monitors its capital adequacy and reports this on a regular basis to the board and on a monthly basis to the trustee.

23. Related parties

A number of transactions are entered into with related parties (including key management personnel) in the normal course of business. Details of these transactions are outlined below.

Key management personnel are defined as being directors of NBS and those personnel with a key responsibility for the strategic direction and management of NBS (being the senior leadership team who report to the chief executive). The information relating to key management personnel disclosed below includes transactions with those individuals, their close family members and their controlled entities.

(a) Loans and advances to related parties

	31/03/2026 $000	31/03/2025 $000
Loans and advances outstanding at beginning of year	683	3,534
Net loans issued/(repaid) during the year or net recategorised as related	1,435	(2,851)
Loans and advances outstanding at end of year	**2,118**	**683**

No specific provisions have been recognised in respect of loans given to related parties. There were no debts with any of the above parties written off or forgiven during the year ended 31 March 2026 (31 March 2025: $nil). All loans made to related parties have been made in accordance with NBS' lending policies. The above transactions (including interest rates and collateral) are conducted on an arm's length basis in the normal course of business and on market terms and conditions.

Amounts repayable to NBS that are secured by residential property total $1,796k (31 March 2025: $683k) and carry interest rates of 4.34 to 4.74% per annum (31 March 2025: 6.55%), charged on the outstanding loan balances.

Amounts repayable to NBS that are secured by a lien over a term deposit linked through a guarantee total $302k (31 March 2025: $nil) and carry interest rates of 6.99% (31 March 2025: nil).

Amounts repayable to NBS that are secured by a guarantee total $20k (31 March 2025: $nil) and carry interest rates of 8.49% (31 March 2025: nil).

Notes to the Financial Statements

For the year ended 31 March 2026

(b) Deposits from related parties

	31/03/2026 $000	31/03/2025 $000
Deposits at beginning of year	332	981
Net deposits received (withdrawals made) during the year or no longer categorised as related	108	(649)
Deposits at end of year	**440**	**332**

The above deposits are unsecured and are repayable on demand. Interest rates are based on current market rates.

(c) Key management compensation (excluding directors) comprised:

	31/03/2026 $000	31/03/2025 $000
Salaries and short-term employee benefits	2,178	2,408
Post-employment benefits	86	95
Total compensation of key management personnel (excluding directors)	**2,264**	**2,503**

(d) Directors fees

	31/03/2026 $000	31/03/2025 $000
Amounts received, or due and receivable by directors	**489**	**425**

(e) Other related party transactions

During the year ending 31 March 2026, NBS entered into transactions with related parties controlled by key management personnel involving: community investment $4k (31 March 2025: $nil).

24. Subsequent events

There have been no events subsequent to the balance date that would materially impact the financial statements.

Notes

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