NBS

Banking for life

The 159th Annual Report of the Nelson Building Society

Directors	G R Dayman (Chairman) P A Bell (Deputy Chairman) P J Robson J C Taylor T N Cameron A Fox G Wilson
Chief Executive Officer	A J Cadigan
Secretary	H M Ibbotson
Solicitor	Buddle Findlay Glasgow Harley
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 One Hundred and Fifty Ninth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 111 Trafalgar Street, Nelson on Wednesday 28th July 2021 at 5.30pm.

Business

1. To receive the Director's Report and Statement of Accounts.
2. To appoint the Auditors for the ensuing year.
3. General Business.

A J Cadigan
CEO

Chairman's Report

Nelson Building Society (NBS) has completed its 159th year in operation and is proud to be presenting the Annual Report for the year ended 31 March 2021.

The challenges and uncertainties a global pandemic presented to all of us in the first months of our financial year were unprecedented. How fortunate we all have been that the predicted severe economic hardships due to Covid-19 did not eventuate in New Zealand. NBS effectively managed the initial period of uncertainty by focusing on supporting our clients' financial well-being. Whilst some parts of our economy like tourism were affected, most sectors remained robust. This underlying positive economic activity, particularly in the property sector, has underpinned a set of very strong financial results for NBS over the full financial year.

One highlight is the record net profit of $12.2M, which is an increase of $3.6M, or over 40%, on the previous year. Assets are now $948 million, up 10% and approaching a billion dollar milestone. These results are outstanding and I congratulate our CEO Tony Cadigan and his team.

The continued growth and success of NBS is underpinned by a number of key factors. Firstly, we offer a local, timely and personalised service experience to our clients, many of whom recommend family, friends and colleagues to bank with us.

We're also committed to our branch network and supporting regional communities in smaller towns. Finally, the significant financial contributions we continue to make, via grants and sponsorships, is increasingly resonating with people throughout our communities.

I am proud of the support we give to crucial community organisations such as the Nelson Marlborough Rescue Helicopter, Nelson Tasman Regional Hospice, Fifeshire Foundation and the Brook Waimārama Sanctuary, to name but a few of the groups we assist.

I wish to recognise the continued and substantial commitment and passion of all NBS Board members over the last 12 months. It has been a year that required a high level of engagement and focus, particularly during the months when Covid-19 was impacting on our business.

The complexities and challenges of governing and overseeing NBS has seen the appointment of 3 new directors, increasing our board from 5 to 7 members. I'm pleased to welcome Anna Fox, Gerrard Wilson and from April, Graeme Watt to the NBS Board. They are key appointments and have already delivered new and diverse contributions to our governance responsibilities.

After a long tenure as a Board Member of NBS, Craig Taylor attended his final meeting in March, 2021. During his time as a director, Craig has overseen significant change and growth at NBS. I would like to acknowledge and thank him for his contribution.

The NBS Board has a number of continuing focus areas in the near and medium terms. Key financial ratios relating to capital, liquidity, credit risk and assets will continue to be monitored closely. In addition, the Board will provide support and emphasis on NBS' on-going regulatory responsibilities.

These include transitioning to a new licencing regime in regard to giving financial advice (Financial Services Legislation Amendment Act - FSLAA), changes to the Credit Contracts and Consumer Finance Amendment Regulations (CCCFA) and a new Responsible Lending Code which mirrors the objectives and principles of the new code for NBS Financial Advisers. Mitigating the on-going risks of cyber-attacks, related to both our wider banking system along with trying to keep our clients safe on-line, are also key. Finally, we will continue to work with the Reserve Bank of New Zealand as they review the Non-Bank Deposit Takers Act over the next 12-18 months. This is a key piece of legislation for NBS as we are by far the largest institution in this category.

The outlook for NBS remains strong as we successfully deliver banking services to our existing clients, attract new business and continue investing in our communities.

Garry Dayman
Chairman of Directors'

Total Assets **$948m** | **Total Lending** **$719m** | **Total Deposits** **$851m**

CEO's Report

We began this financial year in Level 4 lockdown due to the global pandemic known as Covid-19. Like all of New Zealand, NBS was sailing in unchartered waters.

The team at NBS quickly moved into a mode of 'how can we best support our staff, clients and communities'. It was an extremely anxious time for many people. Our responsibility was to do all we could to remove the financial stress our clients were facing.

I am extremely proud of my staff for the way in which they rolled their sleeves up, quickly set up home offices, and went about helping our clients with their banking needs. There were hundreds of loan payment deferrals provided to clients, who at the time, had no idea of their ongoing employment stability. It's extremely pleasing to report all NBS clients who required assistance have returned to normal loan terms post Covid-19.

During the lockdown and through other alert levels NBS continued to support community groups by honouring all sponsorship commitments.

Despite the unprecedented start to the year, NBS like many other businesses, has produced a set of excellent financial results for the year ending 31 March 2021.

We have experienced solid growth in assets, funding and lending. This growth has culminated in a record NPBT (net profit before tax) of $12.2M. The profit result is a reflection of the resilience of the NZ economy over the last 12 months in conjunction with NBS maintaining tight controls on expenses and a carefully managed trading margin.

We are always aiming to improve our client service experience, making it easier to manage accounts and funds. Many clients will have noticed the significant upgrade to the NBS Internet Banking and Mobile App. services completed in early 2021. Our banking product and services are under continuous review.

Recently we reviewed our 'NBS Values' to ensure they were still relevant given the pace of growth and change in our organisation over the last few years. We asked staff to provide feedback on what our business stands for, its principles and the behaviours that drive interactions with all our stakeholders. Values of Respect, Trust and Integrity retained their prominence throughout this review, but the importance of Community also stood out as a key cornerstone of NBS. So, NBS now has a new value.

Community – an enduring desire to make a positive difference for the communities to which we belong.

To further strengthen ties to our communities we have significantly increased our sponsorship budget for the next financial year. As we grow and succeed, we aspire to continue sharing our profits. The support we provide varies in size and profile. It includes the long term backing of our back to back National Provincial Rugby Competition winners, the Tasman Mako, along with contributions to hundreds of not for profit groups that make such a difference to so many in our regions.

A special thanks must be given to the NBS Board of Directors who share in our desire to proactively support community groups from many different sectors.

All NBS staff have contributed greatly to our achievements and I extend my appreciation to them. They collectively set the culture of NBS and create an environment that has delivered another very successful year.

Credit Rating Agency 'Fitch' reaffirmed NBS' Credit Rating at BB+, when several other financial institutions received rating outlook downgrades. Our unchanged rating, during a year that predicted significant challenges due to Covid-19, was a real vote of confidence in NBS and testament to the resilient and robust organisation we have become.

As we reflect on a very strong financial year for NBS, our focus quickly shifts to next year and the ever changing landscape as a provider of banking services in New Zealand.

NBS will continue to work closely with all Regulators who oversee our industry to ensure we are up-to-date with relevant legislation, ensuring our adherence to all compliance obligations. This is a vital part of our business demanding a very strong focus, as we strive to provide honesty, transparency and to always act in the best interests of our clients.

Thank you to all NBS clients for your on-going support and loyalty.

Tony Cadigan
CEO

Profit before Tax
$12.2m

Total Community Support
$813,154

Deloitte.

Opinion

We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2021, and the statement of financial performance, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 7 to 37, present fairly, in all material respects, the financial position of the Society as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

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) 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), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Society in the area of taxation compliance and consultancy, and other assurance services. 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.

Key audit matter

• Provision for expected credit loss

(Refer to Notes 7 and 8)

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 ('PoD'), 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, personal and consumer loans, are financially significant account balances;
- The model used to calculate ECLs are inherently complex and judgement is applied in determining the correct form of the model to be applied;
- Judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models and 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 used to determine forward looking loan PoD and LgD rates);
- 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.

Impact of COVID-19

The Covid-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Society in calculating the ECL, and the associated audit risk. The increased uncertainty arising from the potential impacts of Covid-19 on the Society's ECL are described in Note 8 of the financial statements.

These disclosures include key judgements and assumptions in relation to the ECL model inputs and the interdependence between those inputs and highlight the significant increased provision at 31 March 2021.

As described in note 8, the underlying forecasts and assumptions are subject to uncertainties which are often outside the control of the Society. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact resulting accounting estimates.

How our audit addressed the key audit matter

We assessed the assumptions used to develop the models and, more broadly, the NZ IFRS 9 framework implemented by the Society. We performed the following audit procedures, amongst others:

- Assessed the methodology and approach taken by the Society against the requirements of NZ IFRS 9;
- Considered the integrity of the data used as input into the ECL model. This included challenging each lending segment's PoD and LgD rates, which were judgementally applied by management, and selecting inputs used in the model and agreeing to supporting documentation;
- Benchmarking ECL rates against the historic losses incurred by the Society and comparator analysis against other relevant financial institutions;
- Assessed the reasonableness of forward looking information (i.e. macroeconomic forecasts) by validating against relevant supporting evidence.
- Obtained evidence to understand the reasonably possible impact of Covid-19 on the loan portfolio, along with the anticipated impact on key assumptions used in the ECL determination;
- Re-performed the specific impairment provision calculation for a sample of individual mortgages;
- Assessed loans in arrears not specifically provided for, to determine whether they were being appropriately monitored and reflected in the provision for expected credit loss, and
- Evaluated the extent and appropriateness of disclosures in note 8 in relation to the specific assumptions and sensitivities arising from the Covid 19 pandemic on the ECL model.
- Assessed management judgement around specific provisioning and whether this is in accordance with their ECL policy.

We assessed the disclosure of expected credit losses in the financial statements for compliance with NZ IFRS 9.

Key audit matter

• Operation of IT systems and controls

Nelson Building Society is heavily dependent on complex IT systems for the processing and recording of significant volumes of transactions and other core banking activity.

For significant financial statement balances, such as finance receivables and deposits, our audit involves an assessment of the design of Nelson Building Society's internal control environment relevant to the preparation of these financial statements. There are some areas of the audit where we seek to test and place reliance on IT systems, automated controls and reporting.

The effective operation of these controls is dependent upon Nelson Building Society's general IT control environment, which incorporates controls relevant to IT system changes and development, IT operations, developer and user access controls.

How our audit addressed the key audit matter

Our audit procedures, amongst others, included:

- Gained an understanding of business processes, key controls, and IT systems relevant to significant financial statement balances, including technology services that are provided by a third party.
- Assessed the design and operating effectiveness of IT control environment, including core banking IT systems, key automated controls and reporting.
- Evaluated general IT controls relevant to IT system changes and development, IT operations, developer and user access controls.

Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting.

We also carried out tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we noted design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.

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.

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.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate action.

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 Standards 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 members 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 2021

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2021 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 2021 to confirm the information included in the audited financial statements presented on this website.the information included in the audited financial statements presented on this website.

Statement of Comprehensive Income

For The Year Ended 31 March 2021

		Year to 31/03/2021 $	Year to 31/03/2020 $
Income			
Interest Income Received From:			
Income from Mortgages & Personal Loans		28,224,339	32,748,871
Income from Consumer Lending		8,854,015	8,175,637
Income from Bank Deposits, Investments & Debentures		4,425,061	5,499,646
Total Interest Income		41,503,955	46,424,154
Finance Costs			
Interest on Term & Call Deposits		(13,836,271)	(21,651,334)
Consumer Lending Commission		(3,375,965)	(3,187,657)
		(17,212,236)	(24,838,991)
Net Interest Income		**24,291,719**	**21,585,163**
Other Income			
Bad Debts Recovered		25,465	12,766
Transaction & Service Fees		1,054,344	1,328,056
Other Income		419,305	425,213
		1,499,113	**1,766,035**
Gross Contribution From Activities		**25,790,833**	**23,351,198**
Overhead Expenses			
Auditors Remuneration	Note 2	(135,825)	(107,525)
Administration Expenses	Note 1	(5,047,571)	(4,895,180)
Amortisation & Depreciation		(720,984)	(672,690)
Right of Use Asset Amortisation & Interest		(464,146)	(353,255)
Directors Fees	Note 21	(266,667)	(212,575)
Personnel Costs		(4,761,450)	(4,403,571)
Provision for Credit Impairment	Note 8	(1,379,205)	(3,435,638)
Sponsorship		(813,154)	(660,810)
Total Expenses		**(13,589,002)**	**(14,741,244)**
Surplus Before Taxation		**12,201,831**	**8,609,954**
Income Tax Expense	Note 3	(3,275,624)	(2,439,538)
Net Surplus For The Year		**8,926,207**	**6,170,416**
Other Comprehensive Income			
Items that will not be reclassified subsequently to Profit and Loss			
Movement on Revaluation of Property Net of Income Tax		-	-
Total Comprehensive Income for the Year		**8,926,207**	**6,170,416**

The Notes to the Financial Statements (pages 12 to 37) form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For The Year Ended 31 March 2021

	Share Capital $	Revaluation Reserves $	Retained Earnings $	Total $
Balance as at 31 March 2019	**29,068,500**	**1,374,083**	**28,023,775**	**58,466,358**
Net Surplus and Total Comprehensive Income	-	-	6,170,416	6,170,416
Shares Net Movement	9,980,000	-	-	9,980,000
Dividends Paid	-	-	(1,231,061)	(1,231,061)
Balance as at 31 March 2020	**39,048,500**	**1,374,083**	**32,963,130**	**73,385,713**
Net Surplus and Total Comprehensive Income	-	-	8,926,207	8,926,207
Shares Net Movement	11,590,000	-	-	11,590,000
Dividends Paid	-	-	(1,439,220)	(1,439,220)
Balance at 31 March 2021	**50,638,500**	**1,374,083**	**40,450,117**	**92,426,700**

Dividends paid per share 4.50 (2020: 5.00).

Approval of Financial Statements for the Year Ended 31 March 2021

Authorised for Issue

The Directors authorised the issue of these financial statements on 25 June 2021.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2021.

A J Cadigan
Chief Executive Officer

G R Dayman
Chairman of Directors

P A Bell
Deputy Chairman of Directors

The Notes to the Financial Statements (pages 12 to 37) form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2021

		As at 31/03/2021 $	As at 31/03/2020 $
Assets			
Cash and Cash Equivalents	Note 4	72,381,418	88,449,819
Term Deposits		153,454,879	95,350,949
Trade Receivables		80,102	28,594
Prepayments		921,972	761,430
Deferred Taxation	Note 3	1,426,231	881,783
Loans and Receivables	Note 5		
Mortgages		634,042,248	595,627,943
Personal Loans		1,690,089	2,175,211
Consumer Lending		83,891,587	82,218,681
Less Provision for Credit Impairment	Note 8	(5,166,435)	(4,209,626)
		714,457,489	675,812,209
Property			
Property, Plant & Equipment	Note 9	3,012,217	3,346,254
Capital Work in Progress		840,124	-
Right of Use Asset	Note 14	934,049	591,349
Intangible Assets			
Software	Note 10	647,048	305,445
		948,155,529	865,527,832
Liabilities			
Employee Entitlements		323,965	297,236
Trade and Other Payables		1,811,958	1,013,272
Lease Liability	Note 14	971,364	612,756
Current Tax Liabilities	Note 3	1,357,844	1,137,773
Borrowings	Note 12	851,227,698	789,081,082
		855,692,829	792,142,119
Net Assets		92,462,700	73,385,713
Equity			
Share Capital	Note 11	50,638,500	39,048,500
Retained Earnings		40,450,117	32,963,130
Revaluation Reserve		1,374,083	1,374,083
Total Equity		92,462,700	73,385,713

The Notes to the Financial Statements (pages 12 to 37) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2021

		Year to 31/03/2021 $	Year to 31/03/2020 $
Cash Flows From Operating Activities			
Cash was Provided From:			
Interest Received		41,246,536	46,856,892
Other Income		1,499,113	1,766,035
		42,745,649	48,622,927
Cash was Disbursed To:			
Interest Paid		(18,957,485)	(25,517,644)
Operating Expenses		(10,610,951)	(11,832,694)
Income Taxes Paid	Note 3	(3,600,000)	(2,900,000)
		(33,168,436)	(40,250,338)
Net Cash Flows From Operating Activities Before Changes in Operating Assets		**9,577,213**	**8,372,589**
Redemption of Loans and Receivables		88,381,624	195,911,855
Issuance of Loans and Receivables		(127,983,710)	(234,101,052)
Net Increase in Borrowings		63,891,865	21,813,577
Net Cash Flows From Operating Activities		**33,866,992**	**(8,003,031)**
Cash Flows From Investing Activities			
Cash was Provided From:			
Term Deposits		-	-
Sale of Property, Plant & Equipment	Note 9	61,323	109,862
		61,323	**109,862**
Cash was Disbursed To:			
Purchase of Property, Plant & Equipment	Note 9	(1,164,266)	(455,297)
Purchase of Intangible Assets	Note 10	(744,549)	(242,598)
Term Deposits		(57,846,511)	(12,416,985)
		(59,755,326)	(13,114,880)
Net Cash Flows (Used In)/From Investing Activities		**(59,694,003)**	**(13,005,018)**
Cash Flows From Financing Activities			
Cash was Provided From:			
Shares Net Movement	Note 11	11,590,000	9,980,000
		11,590,000	**9,980,000**
Cash was Disbursed To:			
Dividends Paid		(1,439,220)	(1,231,061)
Repayment of Lease Liabilities		(392,170)	(331,848)
Net Cash Flows from Financing Activities		**9,758,610**	**8,417,091**
Increase/(Decrease) in Cash Held		(16,068,401)	(12,590,958)
Add Opening Cash and Cash Equivalents		88,449,819	101,040,777
Closing Cash and Cash Equivalents	Note 4	**72,381,418**	**88,449,819**

The Notes to the Financial Statements (pages 12 to 37) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2021

	Year to 31/03/2021 $	Year to 31/03/2020 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	8,926,207	6,170,416
Non Cash Items		
Deferred Taxation	(544,447)	(845,686)
Depreciation and Amortisation	720,984	672,690
Loss on Disposal of Assets	278,816	38,758
Right of Use Asset Amortisation & Interest	408,076	353,255
Increase/(Decrease) in Provision for Credit Impairment	956,809	2,878,741
Increase/(Decrease) in Accrued Interest on Borrowings	(1,745,249)	(678,653)
(Increase)/Decrease in Accrued Interest on Term Deposits	(257,419)	432,738
	(182,430)	2,851,843
Movement in Working Capital		
Increase/(Decrease) in Trade and Other Payables	798,686	(402,795)
Increase/(Decrease) in Taxation Payable	220,072	385,224
(Increase)/Decrease in Trade Receivables	(51,508)	(27,994)
(Increase)/Decrease in Prepayments	(160,542)	(629,430)
Increase/(Decrease) in Employee Entitlements	26,729	25,325
Redemption of Loans and Receivables	88,381,624	195,911,855
(Issuance) of Loans and Receivables	(127,983,710)	(234,101,052)
Net Increase in Borrowings	63,891,865	21,813,577
	25,123,214	(17,025,290)
Net Cash Flows From Operating Activities	**33,866,992**	**(8,003,031)**

The Notes to the Financial Statements (pages 12 to 37) form part of and should be read in conjunction with these financial statements.

Summary of Significant Accounting Policies
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 International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit orientated entities. The financial statements also comply with International Financial Reporting 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.

The financial statements were authorised by the directors on 25 June 2021.

Basis Of Preparation

The financial statements have been prepared on the general principles of historical cost accounting, as modified by the revaluation of certain assets such as freehold land and buildings. The going concern concept and the accrual basis of accounting have been adopted. Historical cost is 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.

Presentation Currency

The amounts contained in the financial statements are presented in New Zealand dollars (NZD).

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

i. 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 Statement of Comprehensive Income 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.

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. When calculating the effective interest rate, cash flows are estimated based upon contractual terms and behavioural aspects of the financial instrument (e.g. 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.

NBS provides banking type services to retail and corporate clients including account management, provision of overdraft facilities, foreign exchange and servicing fees. Fees for ongoing account management are charged to the Clients account on a monthly basis. Transaction based fees for interchange foreign currency transactions and overdrafts are charged to the Clients account when the exchange takes place. Servicing fees are charged on a monthly basis and are based on fixed and variable rates.

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.

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ii. Expense Recognition

• Interest Expense

Interest expense, including premiums or discounts and associated issue expenses incurred on the issue of securities is recognised in the Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

• 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 Statement of Comprehensive Income over the period which the related service is consumed.

iii. Income Tax

Income tax expense on the profit for the period 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. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. 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 profit and loss 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 in other comprehensive income or directly in equity.

iv. 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.

v. Assets

• Financial Assets

• Classification of Financial Assets

Management determines the classification of its financial assets at initial recognition. The classification depends on the 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 assets 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, and only 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.

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 and 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 rate 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 and investments in money market instruments with contractual maturity within six months. Money market instruments (short term deposits) are recorded at amortised cost.

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

• Term Deposits

Term deposits are recorded at amortised cost using the effect interest rate 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 balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of product

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

Stage 1	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 1 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 2	Deteriorated: Accounts more than 30 days in arrears	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 1 to Stage 2. Increase in credit risk is presumed if the loan and advances are more than 30 days 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 3	Credit Impairments	When objective evidence of credit impairment emerges with one or more events having a detrimental impact on future cash flows the financial asset is moved to Stage 3. NBS considers observable data indicating there is 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 over 90 days past due in making a 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 proceeds from the sale of the security would satisfy the value of the outstanding financial asset. Impaired assets are specifically provided for on an individual basis.
Stage 4	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.

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 property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will effect ECL.

The methodology and assumptions underlying the ECL calculation, such as maturity profile of PDs, how collateral values change, and forecast of future economic conditions 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 and do not result in derecognition of the original loan and the same effective interest is earned by NBS. In these cases, NBS assesses whether a significant increase in credit risk has occurred, calculated by comparing the risk of default occurring under the revised terms as at the reporting period with that as at the date of initial recognition under the original terms.

- **Property, Plant and Equipment**

Land and Buildings are initially recognised at cost and are subsequently valued by an independent registered valuer. Valuations of Land and Buildings are carried out at least once every three years, at highest and best use. A valuation was not completed this year due to the building being mid-waythrough extensive renovations. A valuation will be completed for the year ending 31 March 2022. Land and Buildings are carried at the revalued amount less accumulated depreciation. 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 Statement of Comprehensive Income as an expense as incurred. Impairment losses are recognised as a non-interest expense in the Statement of Comprehensive Income.

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 Statement of Comprehensive Income 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.

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

	Estimated Life	Method
Buildings and Improvements	10 - 50 yrs	Straight Line
Computer Equipment	2- 5 yrs	Straight Line
Other Assets	3 - 10 yrs	Straight Line

• Intangible Assets

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful lives of 2 - 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

• Capital Work in Progress

Capital work in progress represents fixed assets under construction that are not yet completed or available for use at balance date. Capital work in progress is carried at cost less impairment, if any. Depreciation of these assets commences when the assets are transferred to the fixed asset register and they are ready for their intended use.

• 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.

Lease payments included in the measurement of the lease liability comprise of:

- Fixed lease payments included in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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 leases liability using the effective interest rate 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 purchases 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 case 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.

NBS made no adjustments during the period presented.

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 Statement of Comprehensive Income.

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.

vi. 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 and only 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 and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave wholly expected to be settled within 12 months of the balance date 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.

vii. 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.

viii. 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.

ix. Significant 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 2021, 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) model. 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 pandemic has increased the estimation uncertainty in the determination of provision for expected credit loss. Given the inherent unpredictability associated with the COVID-19 outbreak, the actual credit loss could be significantly different to the estimates 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/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.
- Determining Fair value of the collateral of Land and Buildings equals carrying value of Land and Buildings.

x. Changes In Accounting Policies

All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements.

1. Administration Expenses

	31/03/2021	31/03/2020
Administration Expense Comprises:		
Branch Expenses	1,930,884	2,008,711
Marketing Expenses	730,413	674,607
Computer Expenses	1,540,134	1,364,930
Property Expenses	265,307	299,167
Professional Expenses	580,833	547,765
	5,047,571	**4,895,180**

2. Auditors Remuneration

	31/03/2021	31/03/2020
Audit of Financial Statements	111,675	78,375
Trust Deed (Agreed upon procedures) and Annual Report	8,625	8,625
NZ IFRS and Compliance of Key Audit Matters	-	5,000
Members Register - Other Assurance	6,325	6,325
Taxation Compliance - Annual Return	9,200	9,200
	135,825	**107,525**

The Auditor of the Society is Deloitte

3. Taxation

	31/03/2021	31/03/2020
(a) Income Tax Recognised in the Profit and Loss		
Current Tax Expense	3,838,472	3,286,186
Adjustments Recognised in Relation to the Current Tax of Prior Years	(18,402)	(962)
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(409,062)	(845,899)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	(135,384)	213
Total Income Tax Expense Recognised in the Profit and Loss	**3,275,624**	**2,439,538**
The prima facie income tax expense on pre tax accounting surplus reconciles to the income tax expense in the financial statements as follows:		
Surplus Before Tax	12,201,831	8,609,954
Taxation Thereon at 28%	3,416,513	2,410,787
Non Deductable Expenses	12,897	29,500
Re-instatement of deferred tax balances on buildings	(146,713)	-
Under/(Over) Provision of Income Tax in Previous Year	(7,073)	(749)
Income Tax Expense Recognised in the Profit and Loss	**3,275,624**	**2,439,538**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2020: 28%) payable by New Zealand companies under New Zealand tax law.

	31/03/2021	31/03/2020
(b) Current Tax Liability		
Balance at the Beginning of the Year	1,137,773	752,549
Taxation Expense	3,838,472	3,286,186
Adjustments Recognised in Relation to the Current Tax of Prior Year	(18,402)	(962)
Taxation Paid	(3,600,000)	(2,900,000)
Balance at End of Period	**1,357,843**	**1,137,773**

	31/03/2021	31/03/2020
(c) Deferred Tax Balances		
Opening Balance	881,783	36,097
Charge to Income	544,447	845,686
Charged to Comprehensive Income	-	-
Closing Balance - Asset/(Liability)	**1,426,231**	**881,783**
(d) Imputation Credit Account		
Imputation Credits Available for use at Balance Date	**15,418,214**	**13,078,484**

4. Cash And Cash Equivalents

	31/03/2021	31/03/2020
Bank Deposits	69,916,561	85,984,962
Cash on Hand	2,464,857	2,464,857
	72,381,418	**88,449,819**

Guarantees of $1,500,000 have been issued by Westpac New Zealand Limited on behalf of the Society (2020: $1,500,000).

5. Loans And Receivables

		31/03/2021	31/03/2020
Secured		717,933,835	677,846,624
Unsecured		1,690,089	2,175,211
Gross Advances		**719,623,924**	**680,021,835**
Less Provisions for Credit Impairment	Note 8	(5,166,435)	(4,209,626)
Total Net Advances		**714,457,489**	**675,812,209**

6. Asset And Liability Categorisation

	31/03/2021	31/03/2020
Financial Assets:		
Financial Assets at Amortised Cost (including Cash and Cash Equivalents)	940,373,888	859,641,571
	940,373,888	**859,641,571**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	853,039,656	790,094,354
	853,039,656	**790,094,354**

7. Asset Quality

31 March 2021

Asset Quality	Residential	Commercial	Consumer	Personal	Total
Past Due but Not Impaired	2,844,023	565,347	7,213,731	1,198	10,624,299
Impaired	-	76,289	103,764	-	180,053
Neither Past Due Nor Impaired	389,398,314	241,290,277	76,442,091	1,688,890	708,809,572
Total	**392,242,336**	**241,931,913**	**83,759,586**	**1,690,089**	**719,623,924**

Ageing of Past Due Assets	Residential	Commercial	Consumer	Personal	Total
Past due 0-29 days	2,628,762	402,914	2,656,892	1,198	5,689,766
Past due 30-59 days	215,261	162,433	1,536,478	-	1,914,172
Past due 60-89 days	-	-	2,118,724	-	2,118,724
Past due 90 days+	-	-	901,637	-	901,637
Carrying Amount	**2,844,023**	**565,347**	**7,213,731**	**1,198**	**10,624,299**

Movement in Impaired Assets	Residential	Commercial	Consumer	Personal	Total
Opening Balance	-	499,847	123,494	-	623,341
Assets Classified as Past Due/Impaired	-	76,289	103,764	-	180,053
Client Repayments and Recoveries	-	(359,847)	(48,557)	-	(408,404)
Loan Balance Written Off	-	(140,000)	(56,939)	-	(196,939)
Assets no Longer Meeting Definition	-	-	(17,998)	-	(17,998)
Closing Balance	**-**	**76,289**	**103,764**	**-**	**180,053**

31 March 2020

Asset Quality	Residential	Commercial	Consumer	Personal	Total
Past Due but Not Impaired	1,830,537	669,766	3,941,834	-	6,442,137
Impaired	-	499,847	123,494	-	623,341
Neither Past Due Nor Impaired	426,229,509	166,398,347	78,153,289	2,175,211	672,956,357
Total	**428,060,046**	**167,567,960**	**82,218,618**	**2,175,211**	**680,021,835**

Ageing of Past Due Assets	Residential	Commercial	Consumer	Personal	Total
Past due 0-29 days	729,243	48,618	1,040,585	-	1,818,446
Past due 30-59 days	913,637	621,148	1,716,169	-	3,250,954
Past due 60-89 days	-	-	339,816	-	339,816
Past due 90 days+	187,657	-	845,264	-	1,032,922
Carrying Amount	**1,830,537**	**669,766**	**3,941,834**	**-**	**6,442,137**

Movement in Impaired Assets	Residential	Commercial	Consumer	Personal	Total
Opening Balance	495,090	-	70,000	-	565,090
Assets Classified as Past Due/Impaired	-	499,847	123,494	-	623,341
Client Repayments and Recoveries	(332,417)	-	(4,872)	-	(337,289)
Loan Balance Written Off	(162,673)	-	(65,128)	-	(227,801)
Assets no Longer Meeting Definition	-	-	-	-	-
Closing Balance	**-**	**499,847**	**123,494**	**-**	**623,341**

8. Provision for Expected Credit Loss

	31 March 2021				
	Stage 1	Stage 2	Stage 3	Specific	Total
Provision for Credit Impairment					
Residential	1,387,618	3,798	-	-	1,391,416
Commercial	1,686,382	53,547	1,951	63,479	1,805,359
Consumer	1,460,617	119,660	201,114	103,764	1,885,155
Personal	84,504	-	-	-	84,504
	4,619,121	**177,006**	**203,065**	**167,243**	**5,166,435**
Opening Balance	**3,513,765**	**259,378**	**127,683**	**308,800**	**4,209,626**
Transfer Between Stages	(104,978)	(34,298)	97,851	41,425	-
New Provisions	1,353,214	12,003	-	13,957	1,379,204
Amounts Written Off	(142,880)	(60,107)	(22,469)	(196,939)	(422,395)
Reversal of Previously Recognised Provision	-	-	-	-	-
Closing Balance	**4,619,121**	**177,006**	**203,065**	**167,243**	**5,166,435**

	Residential	Commercial	Consumer	Personal	Total
Reconciliation of Provision Movements					
AmountsWritten Off/(Recovered)	-	150,375	257,129	14,893	422,396
Collective Provision	324,715	1,174,879	(376,972)	(24,256)	1,098,366
Specific Provision	(250,000)	63,479	44,964	-	(141,557)
Provision for Credit Impairment to Income Statement	**74,715**	**1,388,733**	**(74,880)**	**(9,364)**	**1,379,205**

	Stage1	Stage 2	Stage 3	Specific	Total
Loans and Receivables					
Residential	391,606,163	636,173	-	-	392,242,336
Commercial	237,493,639	4,361,985	-	76,289	241,931,913
Consumer	74,010,654	3,659,215	880,259	103,764	78,653,891
Personal	1,690,089	-	-	-	1,690,089
	704,800,544	**8,657,374**	**880,259**	**180,053**	**714,518,229**
Unearned Income (Consumer)					5,105,694
Gross Loans and Receivables	**704,800,544**	**8,657,374**	**880,259**	**180,053**	**719,623,924**
Allowance of Expected Credit Loss	**(4,619,121)**	**(177,006)**	**(203,065)**	**(167,243)**	**(5,166,435)**
Net Loans and Receivables	**700,181,422**	**8,480,368**	**677,194**	**12,810**	**714,457,489**

	31 March 2020				
Provision for Credit Impairment	**Stage 1**	**Stage 2**	**Stage 3**	**Specific**	**Total**
Residential	1,014,930	26,583	25,188	250,000	1,316,701
Commercial	520,707	46,294	-	-	567,001
Consumer	1,869,369	186,500	102,495	58,800	2,217,164
Personal	108,761	-	-	-	108,761
	3,513,766	**259,377**	**127,683**	**308,800**	**4,209,626**
Opening Balance	**920,961**	**39,825**	**57,194**	**312,905**	**1,330,885**
Transfer Between Stages	-	-	-	-	-
New Provisions	2,976,479	269,225	116,238	158,800	3,520,742
Amounts Written Off	(383,674)	(49,673)	(45,749)	(77,801)	(556,897)
Reversal of Previously Recognised Provision	-	-	-	(85,104)	(85,104)
Closing Balance	**3,513,766**	**259,377**	**127,683**	**308,800**	**4,209,626**

Reconciliation of Provision Movements	**Residential**	**Commercial**	**Consumer**	**Personal**	**Total**
AmountsWritten Off/(Recovered)	191,663	71,767	197,907	95,560	556,897
Collective Provision	1,066,971	-	1,815,876	-	2,882,847
Specific Provision	-	-	(4,105)	-	(4,105)
Provision for Credit Impairment to Income Statement	**1,258,634**	**71,767**	**2,009,678**	**95,560**	**3,435,639**

Loans and Receivables	**Stage1**	**Stage 2**	**Stage 3**	**Specific**	**Total**
Residential	426,870,600	501,942	187,657	499,847	428,060,046
Commercial	166,898,194	669,766	-	-	167,567,960
Consumer	76,291,684	372,999	128,119	58,800	76,851,602
Personal	2,175,211	-	-	-	2,175,211
	672,235,688	**1,544,706**	**315,776**	**558,647**	**674,654,819**
Unearned Income (Consumer)					5,367,016
Gross Loans and Receivables	**672,235,688**	**1,544,706**	**315,776**	**558,647**	**680,021,835**
Allowance of Expected Credit Loss	**(3,513,766)**	**(259,377)**	**(127,683)**	**(308,800)**	**(4,209,626)**
Net Loans and Receivables	**668,721,922**	**1,285,329**	**188,094**	**249,847**	**675,812,209**

Expected Credit Loss Assumptions

The impact and duration of COVID-19 on the global economy and how governments, businesses and consumers respond continues to create uncertainty. The Expected Credit Loss (ECL) charge and ECL provisions as at 31 March 2021 are based on management judgement with respect to the impacts of COVID-19 on NBS' credit exposures. The judgements and assumptions made by management are based on a variety of internal and external information, as well as NBS' experience with respect to the performance of the portfolio under previous stressed conditions.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of business and consumers in different industries, along with the associated impact on the global economy. Accordingly, NBS' ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Changes and Considerations During the Year Ended 31 March 2021
Determining when a Significant Increase in Credit Risk (SICR) has Occurred	Various initiatives, such as payment holidays and deferrals have been offered to clients over the last year, recognising the potential detrimental impact of COVID-19. The existance of such offers, 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' risk policy model that stipulates periodic monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 31 March 2021. There were no changes to behavioural lifetime estimates during the year ended 31 March 2021.
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. As at 31 March 2021, the base case assumptions continue to reflect the increased uncertainty since COVID-19. The expected outcomes of key economic drivers for the base case scenario as at 31 March 2021 and those previously used as at 31 March 2020 are described under the heading "Forecast Base Case Assumptions".
Probability Weighting of each Scenario (Base Case, Upside, Downside and Severe Downside Scenarios)	The key consideration for probability weightings in the current year is the continuing impact of COVID-19 and its resulting impact on GDP. In addition to the base case forecast which reflects largely the negative economic consequences of COVID-19, greater weighting has been applied to the downside and severe downside scenarios given NBS' assessment of downside risks. 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 geography 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.

Forecast Base Case Assumptions

The economic drivers of the base case economic forecasts at 31 March 2021 and those that were used at 31 March 2020 are set out below.

	Base Case Economic Forecast as at 31 March 2021	Base Case Economic Forecast as at 31 March 2020
Unemployment Rate	Expected to average as high as 6.8%.	Expected to average 9% for the. financial year 2021.
GDP in Certain Industries	Year on year economic growth is expected to decline both nationally and in the regions/industries in which NBS Clients operate.	Certain industries i.e Aviation, Tourism, Hospitality, Accommodation and Retail are expected to have significant downturn in the next 12 months.
Residential Property Values	Expected to remain stable.	Property prices are expected to contract by 10% in financial year 2021

ECL - Sensitivity Analysis

TThe uncertainty on the impact of COVID-19 introduced significant estimation uncertainty in relation to the measurement of NBS' allowance for expected credit losses. The consequences of COVID-19 and government, business and consumer responses remain uncertain and could result in significant adjustments to the allowance within the current and next financial years. 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:

ECL - Sensitivity Analysis Weightings Applied to Forecast Scenarios

	Total ECL	Impact on ECL Provision
Upside Scenario	3,907,962	-7%
Base Scenario	42,087,101	-
Downside Scenario	5,631,350	34%
Severe Downside Scenario	7,270,600	73%

Input in Judgements Applied to Sensitivity Analysis Weightings

	Upside Scenario	Downside Scenario	Severe Downside Scenario
Unemployment Rate	4-6%	8-10%	10-12%
GDP in Certain Industries	2% less industries impacted than Base Scenario	2% more industries impacted than Base Scenario	4% more industries impacted than Base Scenario
Residential Property Values	5-7%	15-18%	20-22%

9. Property, Plant & Equipment

	31/03/2021	31/03/2020
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	2,216,764	2,216,764
Revaluation	-	-
Additions	-	-
Disposals	(311,528)	-
Balance at End of the Period	**1,905,236**	**2,216,764**
Depreciation and Impairment		
Balance at Beginning of the Period	83,597	52,369
Depreciation for the Period[1]	16,638	31,228
Accumulated Depreciation on Disposed Assets	(273,880)	-
Revaluation	-	-
Balance at End of the Period	(173,645)	83,597
Total Freehold Land and Buildings	**2,078,881**	**2,133,167**

	31/03/2021	31/03/2020
Computer Equipment		
Cost		
Balance at Beginning of the Period	498,692	1,211,738
Additions	10,774	230,055
Disposals	-	(943,101)
Balance at End of the Period	**509,466**	**498,692**
Depreciation and Impairment		
Balance at Beginning of the Period	212,892	987,801
Depreciation for the Period[1]	176,202	159,420
Accumulated Depreciation on Disposed Assets	-	(934,329)
Balance at End of the Period	389,094	212,892
Total Computer Equipment	**120,372**	**285,800**

	31/03/2021	31/03/2020
Other Assets		
Cost		
Balance at Beginning of the Period	2,513,586	2,833,608
Additions	313,371	225,242
Disposals	(801,325)	(545,264)
Balance at End of the Period	**2,025,631**	**2,513,586**
Depreciation and Impairment		
Balance at Beginning of the Period	1,586,299	1,759,442
Depreciation for the Period[1]	212,092	248,888
Accumulated Depreciation on Disposed Assets	(585,723)	(422,031)
Balance at End of the Period	**1,212,667**	**1,586,299**
Total Other Assets	**812,964**	**927,287**
Total Property, Plant and Equipment	**3,012,217**	**3,346,254**

[1]Depreciation expense is included in the line item 'amortisation and depreciation expense' in the Statement of Comprehensive Income.

The land and buildings of NBS were valued by Murray Lauchlan of Duke & Cook, independent registered valuers, as at 31 March 2018. These are valued on the basis of market value for existing 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 as at 31 March 2018 was 6.00%. A significant increase/decrease in the rental capitalisation rate would result in a decrease/increase to the fair value of the land and buildings. As at 31 March 2021 the building is undergoing major renovation and will be revalued at 31 March 2022. Capital work in progress at 31 March 2021 $840,124 (31 March 2020: $Nil). The Board of Directors consider this position remains appropriate.

The carrying amount of land and buildings had they been recognised under the cost model are as follows:

	31/03/2021	31/03/2020
Freehold Land	16,550	16,550
Buildings	412,323	412,323
	428,873	**428,873**

10. Intangible Assets

	31/03/2021	31/03/2020
Software		
Cost		
Balance at Beginning of the Period	490,139	1,922,761
Additions	744,549	242,598
Disposals	(288,238)	(1,675,220)
Balance at End of the Period	**946,450**	**490,139**
Amortisation and Impairment		
Balance at Beginning of the Period	184,694	1,610,145
Amortisation for the Period[2]	316,052	233,154
Accumulated Amortisation on Disposed Assets	(201,344)	(1,658,605)
Balance at End of the Period	299,402	184,694
Total Software	**647,048**	**305,445**

[2]Amortisation expense is included in the line item 'amortisation and depreciation expense' in the Statement of Comprehensive Income.

11. Share Capital

	31/03/2021	31/03/2020
	50,638,500	39,048,500

During the year ended 31 March 2021 11,590,000 (net) preference shares were issued for $1 each, fully paid. (31 March 2020: 9,980,000 net issued for $1 each). Each share attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus of NBS. The dividend shall be paid at a percentage set at the beginning of each quarter 31 March 2021: 4.00% (31 March 2019: 5.00%). NBS can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice.

12. Borrowings

	31/03/2021	31/03/2020
Borrowings		
Call Borrowings - Depositors	336,099,114	221,295,305
Term Borrowings - Depositors	515,128,584	567,785,777
Total Borrowings	**851,227,698**	**789,081,082**

	31/03/2021	Weighted Average Interest Rate %	31/03/2020	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	336,099,119	0.21	221,295,305	0.51
Between 0 and 1 year	458,215,210	1.50	507,575,282	2.92
Between 1 and 2 years	49,032,209	2.12	47,181,032	3.42
Between 2 and 5 years	7,881,160	1.59	13,029,463	3.33
Total Borrowings	**851,227,698**	**1.03**	**789,081,082**	**2.28**

All Borrowings are unsecured.

13. Commitments And Contingent Liabilities

NBS has a commitment for loans approved but not yet paid at 31 March 2021 of $39,717,602. (31 March 2020: $29,152,194).

Sponsorship commitments beyond 31 March 2021 total $890,775. (31 March 2020: $229,250).

As at 31 March 2021 NBS has made capital commitments of $1,501,277. (March 2020: $Nil). This relates to the refurbishment of the property at 111 Trafalgar Street, $840,123 of this has been incurred at balance date and is recognised as capital work in progress.

There were no contingent liabilities as at 31 March 2021 (31 March 2020: $Nil).

14. Leases (NBS as a Lessee)

	31/03/2021	31/03/2020
Right of Use Assets		
Cost		
Balance at Beginning of the Period	905,892	905,892
Additions	702,025	-
Balance at End of the Period	1,607,917	905,892
Accumulated Depreciation		
Balance at Beginning of the Period	(314,543)	-
Charge for the Year	(359,324)	(314,543)
Balance at End of the Period	(673,867)	(314,543)
Carrying Amount as at End of the Period	**934,049**	**591,349**

NBS leases 7 properties under the criteria set in NZ IFRS 16. The average remaining lease term is 3 years (2020: 2 years).

Amounts Recognised in the Statement of Comprehensive Income

	31/03/2021	31/03/2020
Depreciation Expense on Right of Use Asset	345,211	314,543
Interest Expense on Lease Liabilities	62,856	38,712
Expense Relating to Short-term Leases	56,069	-
Expense Relating to Variable Lease Payments Not Included in the Measurement of the Lease Liability	464,146	353,255
Lease Liabilities		
Maturity Analysis		
Year 1	293,304	290,894
Year 2	220,782	210,697
Year 3	114,771	111,165
Year 4	79,551	-
Year 5	83,923	-
Onwards	179,033	-
	971,364	612,756

NBS does not face 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.

15. Fair Value

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 1: Fair values are determined using quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: Fair values are determined using other techniques where all inputs, other than those included in Level 1 which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: 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, Term Deposits, Trade Debtors and Trade Payables

The fair value of cash equivalents approximate the carrying value due to their short term nature.

Loans and Receivables

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 of the original fixing.

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 price exists. Otherwise fair values have been estimated using the discounted cash flow approach by reference to interest rates currently offered for similar liabilities of similar remaining maturities. Borrowings are classified as Level 2 within the fair value hierarchy.

	31/03/2021		31/03/2020	
Financial Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents and Term Deposits	225,836,297	225,836,297	183,800,768	183,800,768
Loans and Receivables	714,457,489	716,135,520	675,812,209	679,513,092
Trade Receivables	80,102	80,102	28,594	28,594
Total Financial Assets	**940,373,888**	**942,051,919**	**859,641,571**	**863,342,454**
Financial Liabilities				
Borrowings	851,227,698	852,573,056	789,081,082	790,642,709
Trade and Other Payables	1,811,958	1,811,958	1,013,272	1,013,272
Total Financial Liabilities	**853,039,656**	**854,385,014**	**790,094,354**	**791,655,981**

16. Liquidity Risk

Liquidity risk is the risk that NBS will encounter difficulty in meeting commitments associated with its financial liabilities (e.g. call borrowings, term borrowings and future commitments including loan draw-downs). 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 one to four weeks in advance 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, and Loans and Receivables.

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

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. 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 as at 31 March 2021

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total
Monetary Assets							
Cash & Cash Equivalents	8,102,094	64,279,324	-	-	-	-	72,381,418
Term Deposits	-	-	102,682,556	57,188,065	-	-	159,870,621
Trade Receivables	80,102	-	-	-	-	-	80,102
Personal Loans	-	524,220	422,718	582,910	387,201	-	1,917,050
Consumer Lending	-	17,773,246	18,581,558	24,305,754	34,510,870	-	95,171,429
Mortgages & Interest	71,168,182	54,737,626	34,879,705	60,612,029	136,453,706	471,394,460	829,245,709
Provision for Credit Impairment	(5,166,435)	-	-	-	-	-	(5,166,435)
Total Monetary Assets	**74,183,944**	**137,314,417**	**156,566,537**	**142,688,758**	**171,351,778**	**471,394,460**	**1,153,499,895**
Liabilities							
Borrowings	336,099,114	321,019,763	137,668,948	50,252,761	8,166,564	-	853,207,150
Trade and Other Payables	1,811,958	-	-	-	-	-	1,811,958
Employee Entitlements	323,965	-	-	-	-	-	323,965
Current Tax Liabilities	-	1,357,844	-	-	-	-	1,357,844
Total Monetary Liabilities	**338,235,037**	**322,377,607**	**137,668,948**	**50,252,761**	**8,166,564**	**-**	**856,700,917**
Net Monetary Assets/ (Liabilities)	**(264,051,093)**	**(185,063,190)**	**18,897,589**	**92,435,997**	**163,185,215**	**471,394,460**	**296,789,977**
Unrecognised Loan Commitments	**(39,717,602)**	**-**	**-**	**-**	**-**	**-**	**(39,717,602)**
Net Liquidity Gap	**(303,768,695)**	**(185,063,190)**	**18,897,589**	**92,435,997**	**163,185,215**	**471,394,460**	**257,081,375**

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2020

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total
Monetary Assets							
Cash & Cash Equivalents	26,879,194	61,946,260	-	-	-	-	88,825,454
Term Deposits	-	-	52,749,533	33,901,228	-	-	86,650,761
Trade Receivables	28,594	-	-	-	-	-	28,594
Personal Loans	175	149,582	313,958	779,625	1,466,259	6,225	2,715,824
Consumer Lending	177,735	5,535,463	8,257,305	20,838,555	66,228,305	92,145	101,129,509
Mortgages & Interest	90,844,447	26,090,098	21,356,796	39,243,319	115,968,649	686,426,639	979,929,948
Provision for Credit Impairment	(4,209,626)	-	-	-	-	-	(4,209,626)
Total Monetary Assets	**113,720,519**	**93,721,404**	**82,677,592**	**94,762,727**	**183,663,213**	**686,525,008**	**1,255,070,464**
Liabilities							
Borrowings	221,295,305	392,637,183	121,893,950	48,268,108	13,085,852	-	797,180,398
Trade and Other Payables	1,013,272	-	-	-	-	-	1,013,272
Employee Entitlements	297,236	-	-	-	-	-	297,236
Current Tax Liabilities	-	1,137,773	-	-	-	-	1,137,773
Total Monetary Liabilities	**222,605,813**	**393,774,956**	**121,893,950**	**48,268,108**	**13,085,852**	**-**	**799,628,679**
Net Monetary Assets/ (Liabilities)	**(108,885,294)**	**(300,053,552)**	**(39,216,358)**	**46,494,619**	**170,577,361**	**686,525,008**	**455,441,785**
Unrecognised Loan Commitments	**(29,152,194)**	**-**	**-**	**-**	**-**	**-**	**(29,152,194)**
Net Liquidity Gap	**(138,037,488)**	**(300,053,552)**	**(39,216,358)**	**46,494,619**	**170,577,361**	**686,525,008**	**426,289,591**

Although NBS has the right to call up Loans and Receivables at any time 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. While all financial assets/liabilities are at call the ability to liquidate a financial asset is constrained by the timeliness to realise the asset.

17. Credit Risk Exposure

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' activities are conducted within the bounds of prudent and conservative banking practice.

Financial instruments which potentially subject NBS to credit risk are mortgages, personal loans, consumer lending, cash, 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 to the security 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 invested in residential mortgages. 70% of all Loans and Receivables are in the Nelson and Tasman Regions, the remaining 30% are in the 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 in all branches.

Concentrations of Credit Risk to Individual Counterparties and Bank Counterparties

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 parent) where NBS has large credit exposures. These have been disclosed in bands of 10% of NBS' equity at balance date.

	31/03/2021		31/03/2020	
% of Equity	Bank	Other	Bank	Other
10-19	1	2	-	1
20-29	1	-	-	1
30-39	-	-	-	-
40-49	-	-	1	-
50-59	-	-	-	-
60-69	1	-	-	-
70-79	-	-	-	-
80-89	-	-	-	-
90+	1	-	2	-

Credit Risk Profile by Category

The table below shows the level of lending by category. NBS has 5 major categories of lending: residential, commercial, agriculture, personal lending and consumer finance.

	31/03/2021	31/03/2020
Residential	469,810,574	426,634,522
Commercial	104,554,121	112,027,494
Agriculture	54,176,749	54,973,465
Personal Lending	1,327,767	2,175,211
Consumer Finance	84,588,277	80,001,517
	714,457,489	**675,812,209**

Information about Major Clients

At 31 March 2021 there was no one Client that individually comprised 10 per cent or more of the Total Revenue (2020: Nil).

18. Interest Rate Risk

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

Interest rates on term borrowings are all fixed until their respective maturity dates. Approximately 83% of the borrowings can be repriced or mature within twelve months (31 March 2020: 92%).

The following table shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2021

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	1.61%	15,193,353	57,188,065	-	-	-	72,381,418
Term Deposits	1.74%	-	-	102,682,556	50,772,323	-	153,454,879
Trade Receivables		80,102	-	-	-	-	80,102
Personal Loans	10.93%	1,651,260	-	-	-	38,829	1,690,089
Consumer Lending	9.95%	67,983	2,773,276	11,102,166	7,985,728	61,962,434	83,891,587
Mortgage Advances	4.63%	160,535,942	132,885,927	216,704,586	121,135,086	2,780,707	634,042,248
Provision for Credit Impairment		(5,166,435)	-	-	-	-	(5,166,435)
Total Monetary Assets		**172,362,206**	**192,847,268**	**330,489,308**	**179,893,136**	**64,781,971**	**940,373,889**
Liabilities							
Borrowings	1.03%	336,599,500	319,683,272	48,747,498	136,252,857	9,944,570	851,227,698
Trade and Other Payables		1,811,958	-	-	-	-	1,811,958
Total Monetary Liabilities		**338,411,458**	**319,683,272**	**48,747,498**	**136,252,857**	**9,944,570**	**853,039,656**
Net Monetary Assets/ (Liabilities)		**(166,049,252)**	**(126,836,004)**	**281,741,810**	**43,640,279**	**54,837,401**	**87,334,233**
Unrecognised Loan Commitments	**5.14%**	**(39,717,602)**	**-**	**-**	**-**	**-**	**(39,717,602)**
Inerest Sensitivity Gap		**(205,766,854)**	**(126,836,004)**	**281,741,810**	**43,640,279**	**54,837,401**	**47,616,631**

Interest Rate Repricing Schedule as at 31 March 2020

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	2.31%	26,879,194	61,570,625	-	-	-	88,449,819
Term Deposits	2.44%	-	-	27,961,117	67,389,832	-	95,350,949
Trade Receivables		28,594	-	-	-	-	28,594
Personal Loans	10.18%	2,130,515	-	-	44,696	-	2,175,211
Consumer Lending	10.49%	1,963,091	1,599,693	3,749,182	13,256,151	61,650,565	82,218,681
Mortgage Advances	5.12%	187,516,825	155,556,975	131,782,669	120,607,265	164,209	595,627,943
Provision for Credit Impairment		(4,209,626)	-	-	-	-	(4,209,626)
Total Monetary Assets		**214,308,592**	**218,727,293**	**163,492,968**	**201,297,944**	**61,814,774**	**859,641,571**
Liabilities							
Borrowings	2.28%	221,295,305	382,550,893	125,024,389	47,181,032	13,029,463	789,581,082
Trade and Other Payables		1,013,272	-	-	-	-	1,013,272
Total Monetary Liabilities		**222,308,577**	**382,550,893**	**125,024,389**	**47,181,032**	**13,029,463**	**790,094,354**
Net Monetary Assets/ (Liabilities)		**(7,999,985)**	**(163,823,600)**	**38,468,579**	**154,116,912**	**48,785,311**	**69,547,217**
Unrecognised Loan Commitments	6.33%	**(29,152,194)**	**-**	**-**	**-**	**-**	**(29,152,194)**
Inerest Sensitivity Gap		**(37,152,179)**	**(163,823,600)**	**38,468,579**	**154,116,912**	**48,785,311**	**40,395,023**

19. Currency Risk

NBS is not exposed to currency risk.

20. Capital Adequacy

NBS has throughout the year, complied with all 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 shareholders 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.

As at balance date all perpetual non-cumultive preference shares have full voting rights as such their contribution towards NBS' capital is unrestricted. On this basis the Risk Weighted Capital Ratio as at 31 March 2021 is 13.92% (31 March 2020: 11.76%), as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related party Exposures) Regulations 2010.

21. Related Parties

A number of transactions are entered into with related parties (including key management personnel[3]) in the normal course of business. Details of these transactions are outlined below.

[3]Key management personnel are defined as being Directors and Senior Management of NBS. 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	Directors and Other Key Management Personnel	
	31/03/2021	31/03/2020
Loans and advances outstanding at beginning of period	1,310,903	800,557
Net loans issued/(repaid) during the period	855,514	510,346
Loans no longer meeting definition	-	-
Loans and advances outstanding at end of period	**2,166,417**	**1,310,903**

No 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 March 2021. (31 March 2020: $Nil). All loans made to related partieshave beenmade in accordance with NBS' lending policies.

(b) Deposits from Related Parties	Directors and Other Key Management Personnel	
	31/03/2021	31/03/2020
Deposits at beginning of period	538,465	433,426
Net (withdrawals made)/deposits received during the period	493,539	105,039
Deposits at end of period	**1,032,004**	**538,465**

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

	31/03/2021	31/03/2021
Salaries and Short-Term Employee Benefits	558,868	463,203
Post-Employment Benefits	30,890	24,353
Total Compensation of Key Management (Excluding Directors)	**589,758**	**487,556**

(d) Directors Fees

	31/03/2021	31/03/2020
Amounts Received, or Due and Receivable by Directors	266,668	212,575

(e) Other Related Party Transactions

During the period ending 31 March 2021, NBS entered into transactions with related parties involving; investment in share capital $600,000 (March 2020: $600,000), rental of commercial property $Nil (March 2020: $31,145), motor vehicle transactions $209,024 (March 2020: $196,366), and human resource consultancy $33,881 (March 2020: $24,904).

22. 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 2021 it is estimated that a general increase of one percentage point in interest rates would increase NBS' surplus before income tax and equity by $370,503. (March 2020: $244,796). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, investments, bank deposits and consumer lending and borrowings.

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

23. Subsequent Events

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

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Freephone 0800 101 700 **Email** info@nbs.co.nz **www.nbs.co.nz** NBS is not a registered bank.
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