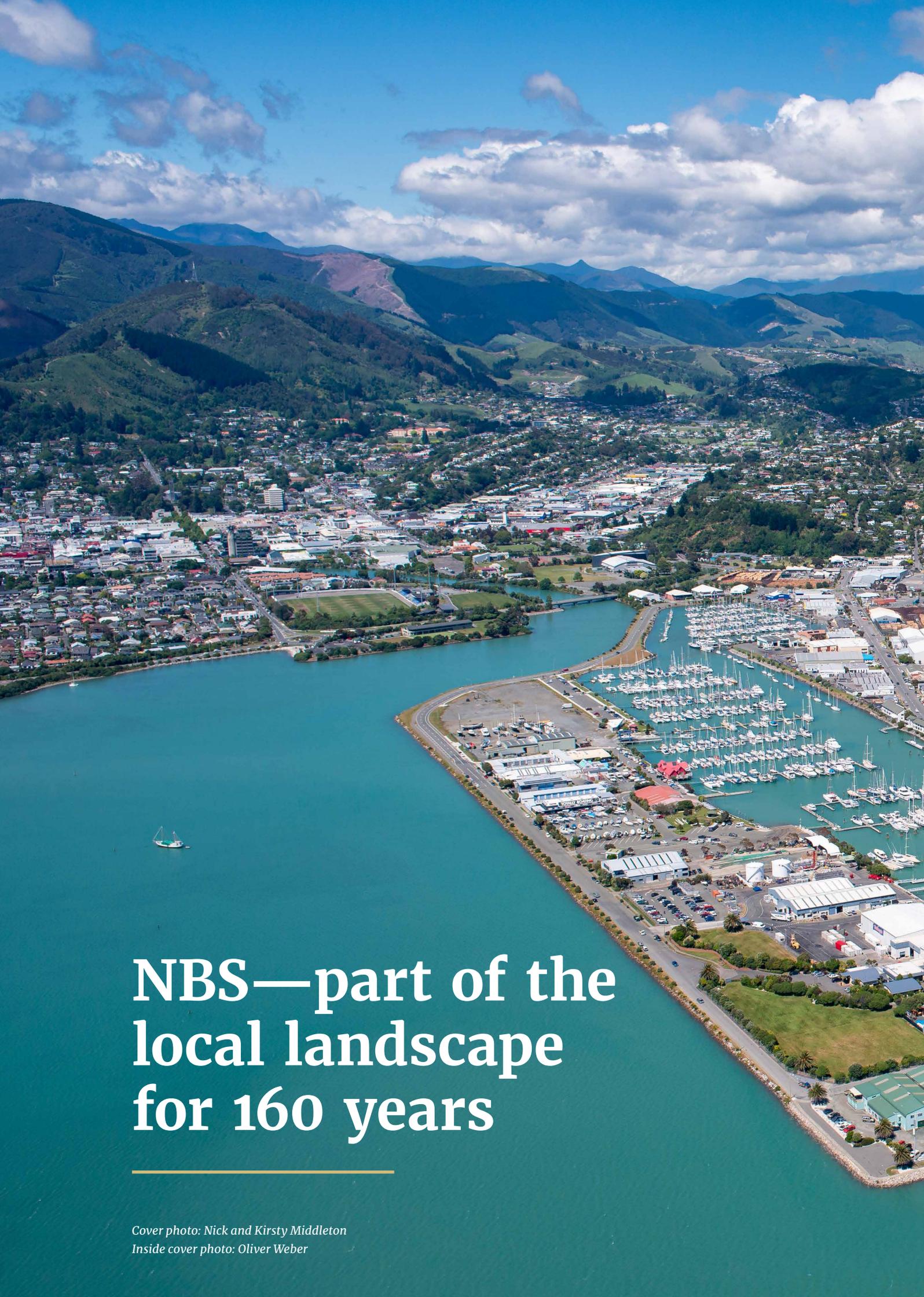


Annual Report

— For the year ended 31 March 2022



An aerial photograph of a coastal town and harbor. The foreground shows a large body of water with a few sailboats. A long, narrow peninsula or breakwater extends into the water, containing a marina filled with many sailboats, several industrial or commercial buildings, and parking lots. The town is built on a hillside overlooking the water, with numerous houses and buildings. In the background, there are rolling green hills and mountains under a blue sky with scattered white clouds.

NBS—part of the local landscape for 160 years

*Cover photo: Nick and Kirsty Middleton
Inside cover photo: Oliver Weber*

The 160th Annual Report of the Nelson Building Society

Independent Directors	G R Dayman (Chairman) P A Bell (Deputy Chairman) P J Robson T N Cameron A L Fox G L Wilson G W Watt (appointment date April 2021)
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 Sixtieth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 111 Trafalgar Street, Nelson on Wednesday 20 July 2022 at 5.30pm.

Ordinary Business

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

Special Business

4. Pursuant to rule 31.1 of the current NBS Rules (**Current Rules**), NBS requests that members who are eligible to vote on a Special Resolution consider, and if thought fit, pass the following resolution:

“That the new Rules of NBS tabled at the AGM (New Rules) be adopted as the rules of NBS in replacement of the Current Rules”.

A J Cadigan
Chief Executive Officer





160 years of delivering banking services to locals

NBS has been serving families and businesses for over 6 generations. 160 years of backing locals is a significant milestone for us

NBS clients – Moonika and Evan

Exceptional client service

With the knowledge and experience we have built over the last 160 years, we will continue to deliver a superior, personal service that is driven by you, our clients.

Our focus is to build strong, sustainable relationships, empower our people to make decisions based on local knowledge, and to assist you to achieve financial success.

We believe that the physical presence we have in our communities is vital. We understand that having face to face personal contact with our staff is important to you. It's important to us too; taking the time to get to know you and to build long term relationships that are based on mutual trust and respect.

NBS clients - Mikey and Lenna



Supporting our communities

We're owned by you, our clients – people from our community. Because of this, we are all about community – helping families, building homes, and growing businesses.

We're committed to making a positive difference and will continue to invest heavily in supporting community, sporting, cultural and educational groups. This year, we have invested a record \$1 million back into our communities.

Investing in our business

We now look after the banking needs of over 20,000 clients and manage funds in excess of \$1.8 billion.

With our Head Office and 8 branches serving clients from Nelson-Tasman, reaching across to the West Coast and down to Ashburton, we are futureproofing our business and investing in our people and technology to continue delivering excellent service for the next 160 years.



NBS clients - Edee and Ryan



Banking for life

NBS is the financial institution that loaned your grandparents money for their first house or where they opened their first savings account, then your parents and now you. That's what we call "banking for life".

We thank you for your continued support.

Chairman and CEO's report



NBS Chief Executive Officer
Tony Cadigan

Chairman of Directors'
Garry Dayman

It's with great pride that we present the 2022 Annual Report, celebrating our 160th year.

The Nelson Building Society (NBS) was established in 1862. We are the oldest building society in New Zealand and extremely proud of our heritage, and the contributions we've made to our clients and the community.

Along with celebrating our 160th year, NBS has achieved a number of other key milestones, as we continue our path toward becoming a significant player in banking within our regions of operation. Our profit before taxation of \$17.5 million (for the business year ending 31 March 2022) is a record in our history, up over 43% from the last year.

In addition to this profit result, NBS now manages assets in excess of \$1 billion and we placed over \$1 million of sponsorship funding back into the community in the past year. Whilst all of these milestones are significant, the size and impact of our sponsorship

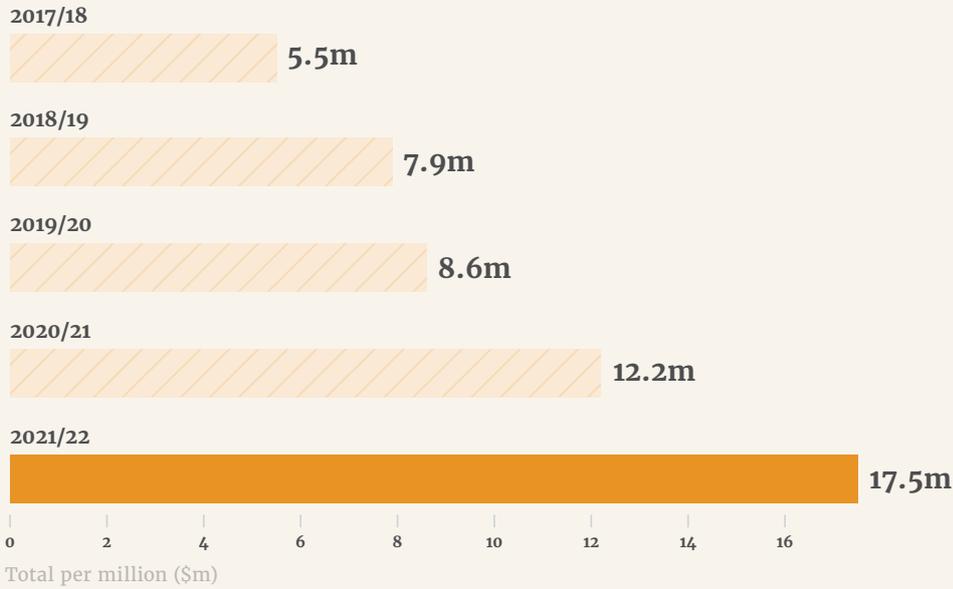
programme provides the most satisfaction to our Board and staff at NBS. As NBS grows and continues to deliver positive results, we aim to give back more to the communities we are a part of. We know our clients value this approach and understand that by banking with NBS, they play an important part in the difference we can make.

This year's results have been achieved in large part due to the hard-working NBS staff, who have effectively managed the challenges of working in a COVID-19 environment over the past 12 months. Our branches remained open in a way to keep everyone safe, and staff have coped well when called upon to work from home. We've been able to continue attracting new clients due to our competitive and flexible range of banking products but most importantly, due to our focus on delivering a more personal and local service experience.

Other achievements to note are a lift in our deposits, which grew by \$130 million this year, to a total of \$981M, up 15%. The loan book also increased substantially to \$866 million, up \$147 million, or 20%.

Key financial results

Profit before tax



1.08b
2021/22

948m
2020/21

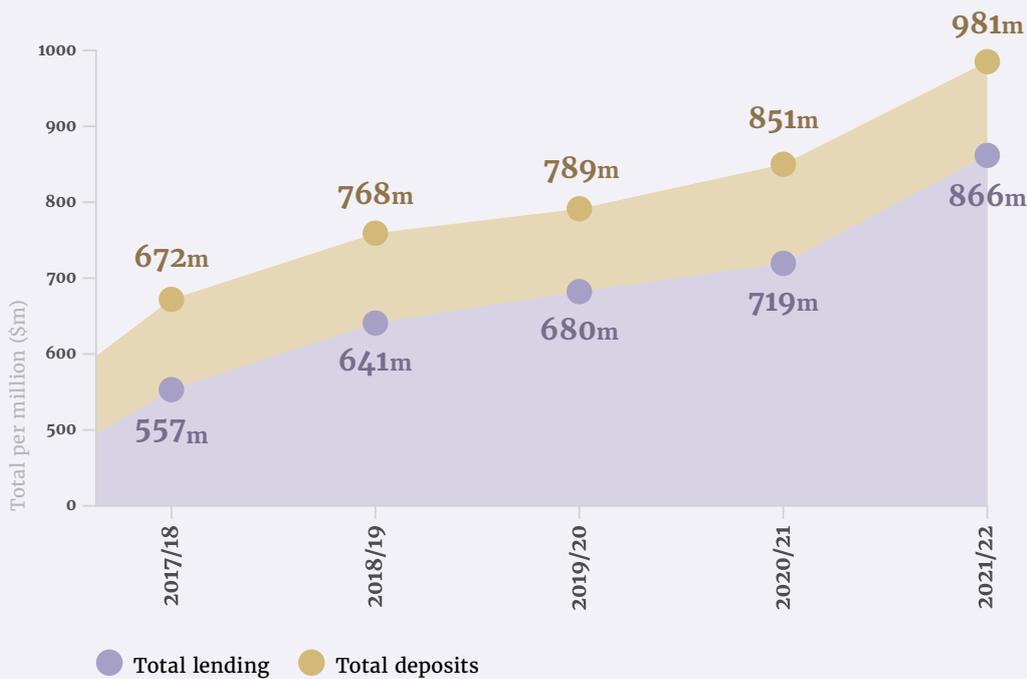
865m
2019/20

829m
2018/19

723m
2017/18

Total assets

Total lending | Total deposits



New Zealand has managed the last 2 years of the COVID-19 pandemic well compared to many other countries. Fiscal stimulus and government spending assisted our economy to remain relatively robust, but there are challenges ahead.

To combat the rapid rise in inflation, interest rates have increased sharply over a short period. NBS will need to be vigilant in supporting our home loan clients as they transition to higher repayments. The war in Ukraine along with on-going global supply chain issues will continue to create uncertainties for our economy. Conservative lending policies and historically low loan impairments will assist us in managing the period ahead. We're also confident of the resilience of property markets and the wider economies of our regions.

The NBS Board continues to provide a focused and effective level of governance across all aspects of our business. Liquidity, capital, and credit risk along with continued attention to our regulatory and compliance obligations have, and will remain, a key emphasis for Directors.

Over the last 12 months we've been working closely with the Reserve Bank of New Zealand on a new capital instrument in the form of an ordinary share. This is a crucial piece of work that if approved and implemented, will provide a pathway to our ambitions of continued growth and financial stability.

To ensure NBS identifies risks and meets obligations around climate change, an initial strategic framework has been established which includes reducing our carbon footprint and an increased sponsorship spend with groups and projects that have a positive impact on the environment. Our partnerships with Tasman Environmental Trust and Brook Waimārama Sanctuary are examples of this commitment.

Our staff continue to be our greatest asset and we're grateful for the passion they bring to NBS every day. To ensure we have the high-level skills and expertise to manage NBS now and in the future, a restructure of our Executive Management team occurred in early 2022.



NBS are proud to sponsor projects that provide a positive impact on the environment such as Brook Waimārama Sanctuary.

Photo: Tim Cuff

New senior managers have been recruited in the roles of Chief Financial Officer, Head of Risk and Assurance and Head of Business Enablement. These are key appointments for NBS.

The 2 Directors retiring by rotation are Mr Graeme Watt and Mr Trevor Cameron. Both Directors are eligible for re-election without nomination and accordingly we declare them re-elected.

As we celebrate our 160th anniversary, we look forward to the achievement of new goals, but always striving to be trusted, preferred, and respected by our clients and communities.



A handwritten signature in black ink, appearing to read 'A J Cadigan'.

A J Cadigan
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'G R Dayman'.

G R Dayman
Chairman of Directors

“ As we celebrate our 160th anniversary, we look forward to the achievement of new goals, but always striving to be trusted, preferred, and respected by our clients and communities. ”

Tony Cadigan and Garry Dayman – NBS Chief Executive Officer and Chairman of Directors’

Investing in our communities

Supporting up to 140 kids with swimming lessons each year

NBS is thrilled to support Richmond Aquatic Centre's SwimMagic sponsored swimming lessons to school age children who would not normally be able to afford them.

With nearly 100 preventable drownings each year in New Zealand, swimming lessons are vital for teaching water safety to Kiwi kids. The lessons help build self-confidence in those who are nervous around water and educate those who may be a bit too confident and unaware of the dangers. As the main sponsor, NBS has made a commitment of three years of sponsorship, supporting up to 140 children with swimming lessons each year.

Richmond Aquatic Centre's Administration and Marketing Coordinator Crystal Gaiger says there are some heart-breaking stories. "In some cases, children have moved schools several times in a single year due to difficult circumstances. The lessons provide them with fun and stability, as well as really important safety skills around water," she says.

"Without the support of NBS and SwimMagic, the initiative wouldn't be able to happen. We reached out to local businesses like NBS in conjunction with our SwimMagic Swim School to see who would be happy to support the initiative. We really wanted local businesses involved because it's about locals supporting locals," she says.



“Without the support of NBS and SwimMagic, the initiative wouldn't be able to happen.”

Crystal Gaiger - Richmond Aquatic Centre

“NBS is so big in the community – it’s incredible how much they support – they jumped at the opportunity. We’re very grateful for their amazing generosity.”

Crystal Gaiger – Richmond Aquatic Centre



“NBS is so big in the community – it’s incredible how much they support – they jumped at the opportunity. We’re very grateful for their amazing generosity.”

One local family member says of the free lessons: “My girls love their lessons, I have

seen huge improvement, right from the first lesson. It’s great because we would never have been able to afford lessons for the two of them and this means I can relax a bit more when we are at the beach or pool. Thanks guys.”

► clmnz.co.nz/richmond/swim-school/

Investing in our communities

Taking positive strides with local charity Walk with Us



NBS Chief Executive Officer Tony Cadigan with Walk With Us trustee Jenny Bates and Stirling Sports owner Wyatt Crockett.

Photo: Nelson Weekly – Sara Hollyman

Earlier this year, local charitable trust Walk with Us received a welcome boost of \$5000 from NBS that will be used to support the charity’s goal of providing school and sports shoes to children in need aged between 5 & 13.

Walk with Us was established in 2013 by nine Nelson-Tasman women who wanted to contribute to the community in a targeted and specific way.

“Through conversations with principals and teachers in local schools, we saw that there is a very real need in the community. Providing school and sports footwear to school children fitted well with our aspirations.” says trustee, Jenny Bates.

“ We had to postpone a fundraising auction at the end of last year, so sponsorship from NBS is very welcome at a time when it is becoming increasingly challenging for struggling families to provide these important items for their children. ”

Jenny Bates – Walk with Us trustee

To date the charity has funded over 600 pairs of shoes to children across the region, but Walk with Us know that there is still work to be done to support local whānau.

The charity rely heavily on donations from individuals and sponsors and by organising fundraising events. Like many other community groups, recent fundraising efforts have been curtailed by COVID-19.

Jenny says “We had to postpone a fundraising auction at the end of last year, so sponsorship

from NBS is very welcome at a time when it is becoming increasingly challenging for struggling families to provide these important items for their children.”

CEO Tony Cadigan is proud that NBS can support the great work of the charity and says “One of our key aims is to make a difference in our local community and we can see the positive impact that Walk with Us make by providing shoes to kids who really need them.”

► walkwithus.co.nz

Investing in our communities

Foundation uses generous donation to launch new 'Youth Development Fund'



Howie Timms, NBS General Manager - Commercial with John Prestige, Principal, Motueka High School and Gavin Larsen, Executive Officer, Top of the South Community Foundation.

A new endowment fund has been established by Top of the South Community Foundation thanks to seed capital from Pam Holyoake, who wanted to establish a legacy in remembrance of her late husband, Peter Holyoake.

Peter and Pam lived in the Tasman region for many years and Pam wanted to give back to the wider community, but with a focus on supporting young people.

“Initially I wanted to set up something that supported apprenticeships in the building industry, as Peter was a builder”, Pam said. “But after discussions with Gavin Larsen from the Foundation, I’m very happy that Peter’s and my donation will make a difference to local young people in need”, she added.

The fund will support young people to stay in school and to continue their education, or to assist with their transition into the workforce. Distribution of funds will be via local Secondary Schools who will have an opportunity to apply to the Foundation every year to access funding.

“ I see this new fund supporting not just Motueka High School but see its potential to grow and to benefit students from schools throughout our region. ”

Howie Timms, NBS General Manager - Commercial

The first school to benefit from the Fund will be Motueka High School. John Prestige, Principal of Motueka High School said “There is a need currently to employ resources that focus on our year 10-12 students who are at school one day, and then simply do not return. There can be a variety of reasons around why this is occurring, from family needs to them simply losing motivation to study.

We want to get them back to school and that often takes a lot of quite intensive and personal intervention”. John gave examples of initiatives that would be funded, including paying for a NMIT course or practical on-the-ground industry training to enable a transition into the workforce.

Along with providing the capital, Pam has made an additional contribution to Motueka High School in 2022, and this has been matched by NBS who sponsor the Foundation.

Howie Timms, General Manager Commercial for NBS contributed to the initial discussions around establishment of the fund.

“Pam is a valued client of NBS, we’ve had a strong relationship with Motueka High School for many years and we support the mahi of the Foundation, so it was great to assist in bringing all parties together to make it happen. I see this new fund supporting not just Motueka High School but see its potential to grow and to benefit students from schools throughout our region.”

Gavin Larsen, Executive Officer of the Top of the South Community Foundation pointed to this initiative as another example of people throughout our region making active decisions to support their community. “These are challenging times for everyone, and we’re thrilled to be assisting our local colleges in this targeted way. I want to reiterate that this new fund would not have been possible without the extremely generous gift that Pam Holyoake has made, and we sincerely thank her.”

► topsouthfoundation.org.nz

Investing in our communities

NBS sponsor predator traps and keep Tasman Environmental Trust staff looking great

The Battle for the Banded Rail is a community conservation project supported by Tasman Environmental Trust (TET).

The aim of the project is to restore thriving birdlife to the Waimeha/Waimea Inlet by trapping introduced predators and replanting the area with native plants that provide good habitat for coastal birds around the estuary margin.

NBS is getting behind the trust's efforts and has entered into a partnership to fund 200 predator traps, contribute to costs for regional predator control and to provide new branded gear for staff.

According to the Department of Conservation, the banded rail, or moho pererū as it is known to Māori have disappeared from almost all of the South Island and now only occur in the saltmarshes in Nelson and Marlborough. They are a potential indicator of wetland health because they are dependent on the presence of high quality and ecologically diverse habitats and rich food supplies.

Kathryn Brownlie of Tasman Environmental Trust says "the estuary is degraded, and the margins have been heavily modified by human activity, but with 8 seasons of planting and



Planting and predator trapping in the area is paying off, with several sightings of the banded rail/moho pererū.

Photo: Nina Fowler

trapping, the results of our hard work are becoming more evident, with several sightings of the banded rail. Support from NBS has meant that we now have almost 1000 traps in operation – that's up 20% from the same time last year and subsequently we have had a record number of catches."

NBS' Howie Timms, General Manager – Commercial says "as an organisation, we have made a conscious choice around how we approach the environment and climate change. We now have a framework and action plan around climate risk and how we can be a better corporate citizen by reducing our business' impact on the environment."



“ Support from NBS has meant that we now have almost 1000 traps in operation – that’s up 20% from the same time last year... ”

Kathryn Brownlie – Tasman Environmental Trust

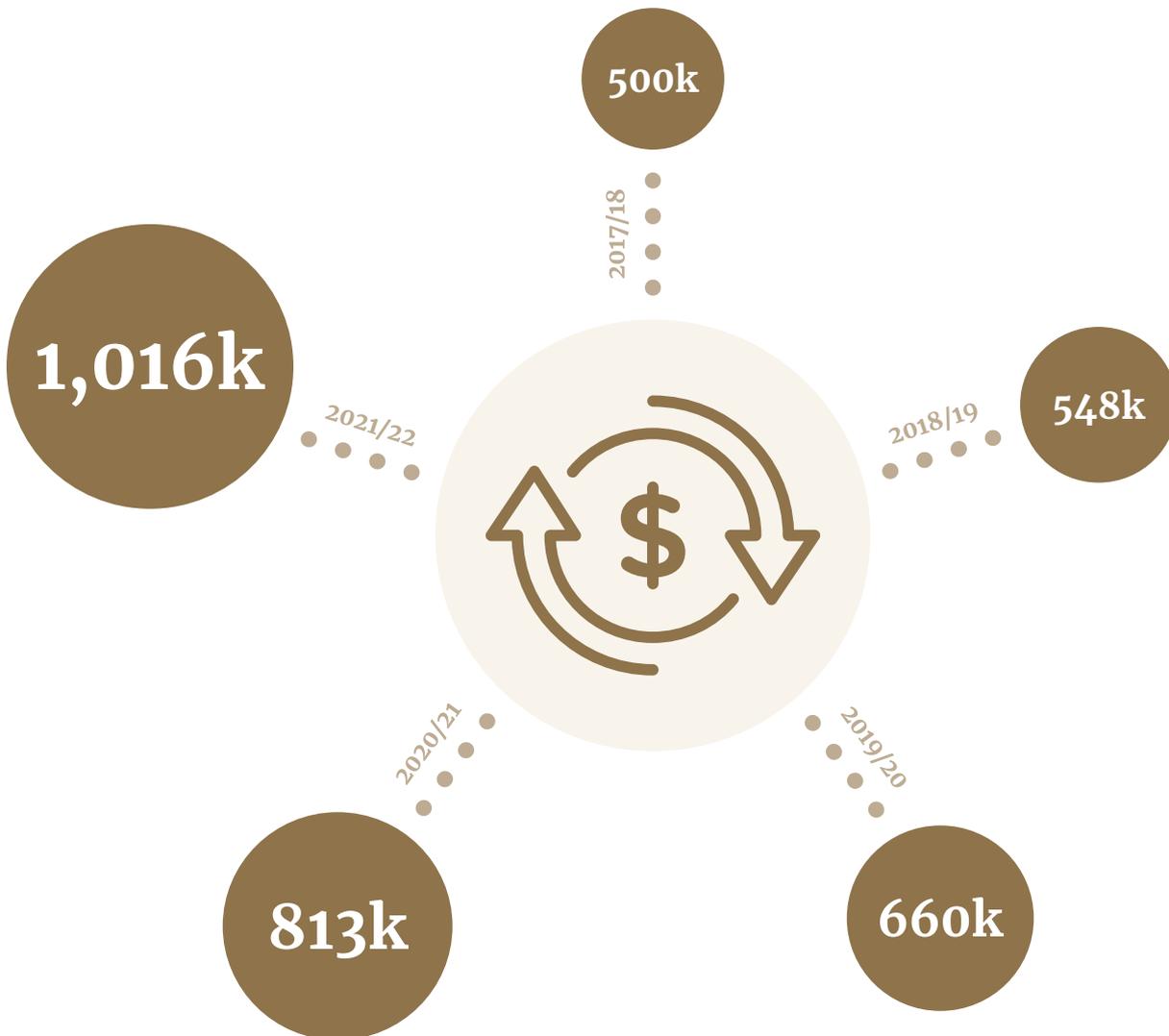
Howie Timms, NBS General Manager – Commercial, with Tracey Murray from Tasman Environmental Trust.

Howie continues: “Whilst historically sport and recreation have been a focus of NBS’ sponsorship spend, we want to make a difference across the entire community, so the decision was made that we would sponsor things that make an impact without perhaps having such a clear return on investment – and the environment is one of those things.”

NBS see this sponsorship as the first step in a long-term relationship with TET and next year plan to support a planting programme that will see NBS staff and other stakeholders taking part.

► tet.org.nz

Community sponsorship



Total community sponsorship

NBS have doubled their community sponsorship spend over a 5 year period

Community sponsorship 2022



Kaiteriteri Mountain Bike Park

- Age Concern Nelson Tasman
- Allenton Rugby Football Club
- Arnott Heights Community Group
- Ashburton Athletics Club
- Ashburton Boulevard Day
- Ashburton Bowling Club
- Ashburton College Alumni Trust
- Ashburton Netherby School
- Ashburton Plains Rotary Club
- Ashburton Society of Arts
- Ashburton Speech Contest
- Athletic College Old Boys Cricket
- Autism NZ
- Autism NZ – West Coast Region
- Big Brothers Big Sisters
- Bowls Buller
- Bowls Murchison
- Bowls Nelson
- Bowls Tāhunanui
- Bowls West Coast
- Brain Injured Children Trust
– Go Bananas show
- Breast Cancer Trust
- Brightwater Community Association
- Buller Gorge Marathon
- Buller Rugby Union
- Buller Sports Alliance
- Buller Women's Health Fund
- Caring Families Aotearoa
- Central Tākaka School
- Club Waimea
- Collingwood Area School
- Collingwood Basketball
- Collingwood Rugby Football Club
- Connecting Mid Canterbury
- Croquet Nelson
- Dancing for a Cause
- Equine Inspired Charitable Trust
- Excelsior Marching Team
- Fifeshire Foundation
- Friends of Granger House
- Golden Bay Sports Awards
- Golden Bay A & P Association

Community sponsorship

- Golden Bay Association Football Club
- Golden Bay Charity Ball
- Golden Bay Community Arts Council
- Golden Bay Emergency Communication Services
- Golden Bay High School
- Golden Bay Netball Club
- Golden Bay Rec Park Centre
- Golden Bay Swimming
- Golden Bay Workcentre Trust
- Greenacres Golf Club
- Grey United Tennis Club
- Greymouth Business & Promotion Association
- Greymouth Golf Club
- Greymouth Indoor Bowls Association
- Greymouth Squash Rackets Club
- Greymouth Regent Theatre
- Habitat for Humanity (Nelson)
- Hakatere Ceramics Exhibition
- Higgins Heritage Park
- Hinds Bowling Club
- Hope Indoor Bowling Club
- Jacks Netball Club
- Kaiteriteri Mountain Bike Park
- Karoro Bowling Club
- Karoro Hockey Club
- Kotare Netball Club
- Krankin Kids (Mountain Bike Coaching for Youth)
- Life Education Trust
- Mainland Football
- Makura Croquet Club
- Māpua Bowling Club
- Māpua Community Library
- Māpua Easter Fair
- Māpua Public Hall Society
- Marchfest Ltd
- Marist Rugby Football Club
- Mens Shed Waimea
- Mid Canterbury Bowling Greens Association
- Mid Canterbury Hockey
- Mid Canterbury Netball
- Ministry of Inspiration
- Mitre 10 MEGA Helicopter House
- Mohua Golden Bay Blue Penguin Trust
- Motueka Bowling Club
- Motueka Contract Bridge Club
- Motueka District Community Patrol
- Motueka Districts Neighbourhood Support
- Motueka Events Charitable Trust
- Motueka Golf Club
- Motueka High School
- Motueka Squash Club
- Motueka Toastmasters
- Motueka Waka Ama Club
- Motupiko Hall Education Trust
- Moutere Hills Community Centre

- Moutere Kai Collective
- Movember Foundation
- Murchison Area School
- Murchison Golf Club
- Murchison Ladies Day Out Fundraiser
- Murchison RFC
- Murchison Sport and Rec Centre
- NBS Westport Theatre
- Nelson and Tasman Cancer Society
- Nelson Basketball Association
- Nelson Basketball Development Trust
- Nelson Bays Rugby
- Nelson Bays Squash
- Nelson Bays Tennis Association
- Nelson Bays Volleyball
- Nelson Bowling Club



Golden Bay Football Association Club

- Nelson Budget Advisory Service
- Nelson City Brass
- Nelson City Council–Eelco Boswijk Civic Awards
- Nelson City Santa Parade Trust
- Nelson College for Girls
- Nelson College Rugby Academy
- Nelson Contract Bridge Club
- Nelson Cricket
- Nelson Events – NBS Strider Hand
- Nelson Giants
- Nelson Golf Club
- Nelson Harness Racing
- Nelson Host Lions Club
- Nelson Marlborough Rescue Helicopter Trust
- Nelson Men's Netball
- Nelson Mountain Bike Club

Community sponsorship

- Nelson Musical Theatre Trust
- Nelson Netball Centre
- Nelson Performing Arts
- Nelson Regional Breast Cancer Trust
- Nelson Returned Services Association
- Nelson Rugby Football Club
- Nelson Squash Rackets Club
- Nelson Suburbs Football Club
- Nelson Symphony Orchestra
- Nelson Tasman Business Trust
- Nelson Tasman Chamber of Commerce
- Nelson Tasman Hospice
- Nelson Theatre Royal
- Nelson Veterans Tennis Club
- Nelson Vintage Car Club
- Nelson Youth Choir
- Nelson Youth Theatre
- Ngawhatu Bowling Club
- No. 23 Nelson Squadron – Air Training Corps
- NZ Motor Caravan Association Buller Area
- Outdoor Education New Zealand
- Outward Bound: Tau Ihu School Scholarships
- Parapara Water Supply Incorporation
- Pohara Bowling Club
- Project De-Vine Environmental Trust
- Rangers Rugby Football Club
- Registered Masters Builders Association
- REV Nelson Vintage Car Club
- Richmond Aquatic Centre – SwimMagic
- Richmond Bowling Club
- Richmond Contract Bridge Club
- Richmond Unlimited – Santa Parade
- Riwaka Bowling Club
- Riwaka Rugby Football Club
- Runanga School
- Sam Gale
- Seniornet Motueka
- SoulUtionz Sports Trust
- South Canterbury Polo Club
- Special Olympics Motueka
- Special Olympics Nelson
- Sport Tasman
- Stoke Indoor Bowling Club
- Stoke Nayland Cricket Club
- Stoke Netball
- Stoke Rugby Football Club
- Sunset Speedway
- Tākaka Athletics Club
- Tākaka Citizens Band
- Tākaka Golf Club
- Tākaka Netball Team
- Tākaka Rugby Football Club
- Tākaka Squash Club
- Tākaka Village Theatre
- Tasman Environmental Trust



Tākaka Rugby Football Club

- Tasman Golf Club
- Tasman Rugby Union
- Tasman School
- Te Taihū o Te Waka a Māui Māori Cultural Council
- The Brook Waimārama Sanctuary
- The Eagles Golfing Society of Nelson
- Tinwald Cycling Club
- Tinwald Golf Club
- Top of the South Community Foundation
- Totaradale Golf Club
- Ulysses NZ Nelson Branch
- United Bowling Club
- Victory Boxing
- Volleyball Motueka/Golden Bay
- Volleyball Tasman
- Waahi Taakaro Golf Club
- Waimea College
- Waimea College 1st XV Rugby
- Waimea Combined Schools Rugby
- Waimea Intermediate School
- Waimea Old Boys RFC
- Wakatu Cricket Club
- Walk with Us Charitable Trust
- Wanderers RFC
- West Coast Basketball Association
- West Coast Volleyball
- Westland United Football Club
- Westport Bridge Club
- Westport Returned Services Association
- Westport Rugby Club
- Westport Trotting Club
- Westside Events
- Westside Weekend on the Coast – Basketball
- Whenua Iti Outdoors
- Yellow Brick Road – Nelson



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Independent Auditor's Report

To the Members of Nelson Building Society

Opinion	<p>We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2022, and the 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.</p> <p>In our opinion, the accompanying financial statements, on pages 27 to 57, present fairly, in all material respects, the financial position of the Society as at 31 March 2022, 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').</p>
Basis for opinion	<p>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 <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the Society in accordance with Professional and Ethical Standard 1 <i>International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>Our firm carries out other assignments for the Society in the area of taxation compliance 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.</p>
Key audit matters	<p>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.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Provision for expected credit loss</p> <p>(Refer to Notes 7 and 8)</p> <p>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').</p> <p>We consider the risk around the determination of expected credit losses to be a key audit matter because:</p> <ul style="list-style-type: none"> • 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 	<p>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:</p> <ul style="list-style-type: none"> • Assessed the methodology and approach taken by the Society against the requirements of NZ IFRS 9; • Evaluated the macroeconomic forecasts used by management by benchmarking against other externally available forecasts, and performed sensitivity analyses of these forecasts; • Assessed the completeness and accuracy of key model inputs such as loan data; • Validated the ECL model outputs by involving our credit risk specialists to perform an independent challenger model to form an independent estimate of the provision

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.

- for credit impairment using externally available data;
- Benchmarked ECL rates against the historic losses incurred by the Society and comparator analysis against other relevant financial institutions;
- For a sample of exposures, assessed for any objective evidence of impairment and subsequently assessed their staging within the model;
- Challenged management on the appropriateness of the overlays applied including the scope of their application;
- Re-performed the specific impairment provision calculation for a sample of individual exposures;
- Assessed loans in arrears to determine whether they were being appropriately monitored and reflected in the provision for expected credit loss;
- Evaluated the disclosures made in relation to provision for expected credit losses against NZ IFRS 9; and
- Assessed management judgement around specific provisioning and whether this is in accordance with their ECL policy.

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.

Our audit procedures, amongst others, included:

- Obtaining an understanding of the IT environment and the relevant automated controls in the system;
- evaluating and testing the design, implementation and operating effectiveness of relevant controls. This included testing the controls over appropriate user access and change management to ensure that access and changes to IT systems and related data are made and authorised in an appropriate manner;
- testing on a sample basis system functionality that is key to our audit testing in order to assess the accuracy of certain system calculations (e.g. interest income and expenses) and the generation of certain reports.

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. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Society for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Society's members, as a body. Our audit has been undertaken so that we might state to the Society's 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

**Bindi Shah, Partner
for Deloitte Limited**
Auckland, New Zealand
28 June 2022

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2022 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 28 June 2022 to confirm the information included in the audited financial statements presented on this website.

Statement of comprehensive income

For the year ended 31 March 2022

	Year to 31/03/2022	Year to 31/03/2021
	\$	\$
Income		
Interest Income Received From:		
Income from Mortgages & Personal Loans	29,734,932	28,224,339
Income from Consumer Lending	8,375,312	8,854,015
Income from Bank Deposits, Investments & Debentures	2,642,945	4,425,061
Total Interest Income	40,753,189	41,503,955
Finance Costs		
Interest on Term & Call Deposits	(9,000,798)	(13,836,271)
Consumer Lending Commission	(3,504,162)	(3,375,965)
	(12,504,960)	(17,212,236)
Net Interest Income	28,248,229	24,291,719
Other Income		
Bad Debts Recovered	29,873	25,465
Transaction & Service Fees	1,072,576	1,054,344
Other Income	442,103	419,305
	1,544,552	1,499,113
Gross Contribution From Activities	29,792,781	25,790,833
Overhead Expenses		
Auditors Remuneration	Note 2 (159,799)	(135,825)
Administration Expenses	Note 1 (5,277,556)	(5,047,571)
Amortisation & Depreciation	(793,103)	(720,984)
Right of Use Asset Amortisation & Interest	(428,825)	(464,146)
Directors Fees	Note 21 (337,584)	(266,667)
Personnel Costs	Note 22 (5,560,122)	(4,761,450)
Provision for Credit Impairment	Note 8 1,306,241	(1,379,205)
Sponsorship	(1,016,900)	(813,154)
Total Expenses	(12,267,648)	(13,589,002)
Surplus Before Taxation	17,525,133	12,201,831
Income Tax Expense	Note 3 (4,953,902)	(3,275,624)
Net Surplus For The Year	12,571,231	8,926,207
Other Comprehensive Income		
Items that will not be reclassified subsequently to Profit and Loss		
Movement on Revaluation of Property Net of Income Tax	Note 9 (314,233)	-
Total Comprehensive Income for the Period	12,256,998	8,926,207

The Notes to the Financial Statements (pages 32 to 57) form part of and should be read in conjunction with these financial statements.

Statement of changes in equity

For the year ended 31 March 2022

	Share Capital	Revaluation Reserves	Retained Earnings	Total
	\$	\$	\$	\$
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 as at 31 March 2021	50,638,500	1,374,083	40,450,117	92,462,700
Net Surplus and Total Comprehensive Income	-	(314,233)	12,571,231	12,256,998
Shares Net Movement	(370,000)	-	-	(370,000)
Dividends Paid	-	-	(1,513,272)	(1,513,272)
Balance at 31 March 2022	50,268,500	1,059,850	51,508,076	102,836,426

Dividends paid per share 4.50 (2021: 4.50).

Approval of financial statements for the year ended 31 March 2022

Authorised for issue

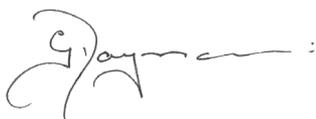
The Directors authorised the issue of these financial statements on 28 June 2022.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2022.



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 32 to 57) form part of and should be read in conjunction with these financial statements.

Statement of financial position

As at 31 March 2022

		As at 31/03/2022	As at 31/03/2021
		\$	\$
Assets			
Cash and Cash Equivalents	Note 4	155,357,896	72,381,418
Term Deposits		62,387,588	153,454,879
Trade Receivables		31,151	80,102
Prepayments		907,815	921,972
Deferred Taxation	Note 3	1,166,024	1,426,231
Loans and Receivables			
Mortgages		777,008,925	634,042,248
Personal Loans		1,259,662	1,690,089
Consumer Lending		87,638,180	83,891,587
Less Provision for Credit Impairment	Note 8	(3,807,939)	(5,166,435)
	Note 5	862,098,828	714,457,489
Property			
Property, Plant & Equipment	Note 9	4,870,956	3,012,217
Capital Work in Progress		-	840,124
Right of Use Asset	Note 14	744,695	934,049
Intangible Assets			
Software	Note 10	491,537	647,048
		1,088,056,490	948,155,529
Liabilities			
Employee Entitlements		485,654	323,965
Trade and Other Payables		917,014	1,811,958
Lease Liability	Note 14	791,957	971,364
Current Tax Liabilities	Note 3	1,729,338	1,357,844
Borrowings	Note 12	981,296,101	851,227,698
		985,220,064	855,692,829
Net Assets		102,836,426	92,462,700
Equity			
Share Capital	Note 11	50,268,500	50,638,500
Retained Earnings		51,508,076	40,450,117
Revaluation Reserve		1,059,850	1,374,083
Total Equity		102,836,426	92,462,700

The Notes to the Financial Statements (pages 32 to 57) form part of and should be read in conjunction with these financial statements.

Statement of cash flows

For the year ended 31 March 2022

	Year to 31/03/2022	Year to 31/03/2021
	\$	\$
Cash Flows From Operating Activities		
Cash was Provided From:		
Interest Received	42,469,083	41,246,536
Other Income	1,544,552	1,499,113
	44,013,635	42,745,649
Cash was Disbursed To:		
Interest Paid	(13,091,561)	(18,957,485)
Operating Expenses	(13,027,438)	(10,610,951)
Income Taxes Paid	(4,200,000) Note 3	(3,600,000)
	(30,318,999)	(33,168,436)
Net Cash Flows From Operating Activities Before Changes in Operating Assets	13,694,636	9,577,213
Redemption of Loans and Receivables	194,524,224	88,381,624
Issuance of Loans and Receivables	(340,807,067)	(127,983,710)
Net Increase in Borrowings	130,655,004	63,891,865
Net Cash Flows (Used in)/From Operating Activities	(1,933,203)	33,866,992
Cash Flows From Investing Activities		
Cash was Provided From:		
Term Deposits	89,351,397	-
Sale of Property, Plant & Equipment	89,801	61,323
	89,441,198	61,323
Cash was Disbursed To:		
Purchase of Property, Plant & Equipment	(1,973,223)	(1,164,266)
Purchase of Intangible Assets	(256,144) Note 10	(744,549)
Term Deposits		(57,846,511)
	(2,229,367)	(59,755,326)
Net Cash Flows (Used In)/From Investing Activities	87,211,831	(59,694,003)
Cash Flows From Financing Activities		
Cash was Provided From:		
Shares Net Movement	(370,000) Note 11	11,590,000
	(370,000)	11,590,000
Cash was Disbursed To:		
Dividends Paid	(1,513,272)	(1,439,220)
Repayment of Lease Liabilities	(418,878)	(392,170)
Net Cash Flows (Used in)/from Financing Activities	(2,302,150)	9,758,610
Increase/(Decrease) in Cash Held	82,976,478	(16,068,401)
Add Opening Cash and Cash Equivalents	72,381,418	88,449,819
Closing Cash and Cash Equivalents	155,357,896 Note 4	72,381,418

The Notes to the Financial Statements (pages 32 to 57) form part of and should be read in conjunction with these financial statements.

Statement of cash flows

For the year ended 31 March 2022

	Year to 31/03/2022 \$	Year to 31/03/2021 \$
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	12,571,231	8,926,207
Non Cash Items		
Deferred Taxation	382,408	(544,447)
Depreciation and Amortisation	824,691	720,984
Loss on Disposal of Assets	15,334	278,816
Right of Use Asset Amortisation & Interest	428,825	408,076
Increase/(Decrease) in Provision for Credit Impairment	(1,358,496)	956,809
Increase/(Decrease) in Accrued Interest on Borrowings	(586,601)	(1,745,249)
(Increase)/Decrease in Accrued Interest on Term Deposits	1,715,895	(257,419)
	1,422,056	(182,430)
Movement in Working Capital		
Increase/(Decrease) in Trade and Other Payables	(894,944)	798,686
Increase/(Decrease) in Taxation Payable	371,494	220,072
(Increase)/Decrease in Trade Receivables	48,953	(51,508)
(Increase)/Decrease in Prepayments	14,157	(160,542)
Increase/(Decrease) in Employee Entitlements	161,689	26,729
Redemption of Loans and Receivables	194,524,224	88,381,624
(Issuance) of Loans and Receivables	(340,807,067)	(127,983,710)
Net Increase in Borrowings	130,655,004	63,891,865
	(15,926,490)	25,123,214
Net Cash Flows From Operating Activities	(1,933,203)	33,866,992

The Notes to the Financial Statements (pages 32 to 57) form part of and should be read in conjunction with these financial statements.

Notes to the financial statements

For the year ended 31 March 2022

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 28 June 2022.

Basis Of Preparation

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

Going Concern

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

Presentation Currency

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

Principal Activities

NBS' principal activities during the year were:

- Receiving deposits for investments; and
- Providing personal banking services including current accounts, personal loans, mortgages, consumer lending and debit card facilities.

Particular Accounting Policies

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, loan origination fees, and fee and commission income.

• 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.

Notes to the financial statements

For the year ended 31 March 2022

• 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.

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. Further detail is included in notes 7 & 8 of the Financial Statements.

• Commissions and Other Fees

External commissions and other costs paid to acquire mortgage and consumer loans through brokers are deferred and are recognised as an adjustment to the effective interest rate. All other fees and commissions are recognised in the 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.

Notes to the financial statements

For the year ended 31 March 2022

• 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 effective 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

Notes to the financial statements

For the year ended 31 March 2022

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.

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

Stage 1	Not deteriorated	<p>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.</p> <p>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).</p>
Stage 2	Deteriorated: Accounts more than 30 days in arrears	<p>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.</p> <p>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.</p>
Stage 3	Credit Impairments	<p>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.</p> <p>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.</p>
Stage 4	Loss	<p>Impaired assets are specifically provided for on an individual basis.</p> <p>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.</p>

Notes to the financial statements

For the year ended 31 March 2022

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, but do not result in de-recognition of the original loan, unless the revision terms are substantially different to those of the original loan. In these cases, NBS assesses whether a significant increase in credit risk has occurred, by comparing the risk of default occurring under the revised terms as at the reporting period with the initial recognition under the original terms.

• 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. 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. Depreciation rates are reviewed annually.

Notes to the financial statements

For the year ended 31 March 2022

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.

Notes to the financial statements

For the year ended 31 March 2022

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.

Notes to the financial statements

For the year ended 31 March 2022

• 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 2022, 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).

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

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

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward looking scenarios for each type of product/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.

xi. New and Revised NZ IFRS Standards in issue but not yet effective

There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. NBS expects to adopt these when they become mandatory. None are expected to result in a material impact on NBS's financial statements.

Notes to the financial statements

For the year ended 31 March 2022

1. Administration Expenses

	31/03/2022	31/03/2021
Administration Expense Comprises:		
Branch Expenses	1,775,173	1,930,884
Marketing Expenses	689,983	730,413
Computer Expenses	1,710,422	1,540,134
Property Expenses	291,365	265,307
Professional Expenses	810,613	580,833
	5,277,556	5,047,571

2. Auditors Remuneration

	31/03/2022	31/03/2021
Audit of Financial Statements	130,680	111,675
Trust Deed and Members Register Assurance	17,250	14,950
Taxation Compliance	11,869	9,200
	159,799	135,825

The Auditor of the Society is Deloitte Limited

3. Taxation

	31/03/2022	31/03/2021
(a) Income Tax Recognised in the Profit and Loss		
Current Tax Expense	4,687,904	3,838,472
Adjustments Recognised in Relation to the Current Tax of Prior Years	(116,409)	(18,402)
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	265,070	(409,062)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	117,337	(135,384)
Total Income Tax Expense Recognised in the Profit and Loss	4,953,902	3,275,624

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	17,525,133	12,201,831
Taxation Thereon at 28%	4,907,037	3,416,513
Non Deductible Expenses	45,937	12,897
Re-instatement of deferred tax balances on buildings	-	(146,713)
Under/(Over) Provision of Income Tax in Previous Year	928	(7,073)
Income Tax Expense Recognised in the Profit and Loss	4,953,902	3,275,624

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2021: 28%) payable by New Zealand companies under New Zealand tax law.

(b) Current Tax Liability

Balance at the Beginning of the Year	1,357,843	1,137,773
Taxation Expense	4,687,904	3,838,472
Adjustments Recognised in Relation to the Current Tax of Prior Year	(116,409)	(18,402)
Taxation Paid	(4,200,000)	(3,600,000)
Balance at End of Period	1,729,338	1,357,843

Notes to the financial statements

For the year ended 31 March 2022

	31/03/2022	31/03/2021
(c) Deferred Tax Balances		
Opening Balance	1,426,231	881,783
Charge to Income	(382,407)	544,447
Charged to Other Comprehensive Income	122,200	-
Closing Balance - Asset/(Liability)	1,166,024	1,426,231
(d) Imputation Credit Account		
Opening Balance	15,418,214	13,078,484
Taxation paid	4,200,000	3,600,000
Dividends paid	(579,951)	(567,198)
Prior year adjustment	(132,100)	(693,072)
Current Tax Expense	19,170,363	15,418,214
Imputation Credits Available for use at Balance Date		

4. Cash and Cash Equivalents

	31/03/2022	31/03/2021
Bank Deposits	153,184,635	69,916,561
Cash on Hand	2,173,261	2,464,857
	155,357,896	72,381,418

Guarantees of \$1,500,000 have been issued by Westpac New Zealand Limited on behalf of NBS (2021: \$1,500,000).

5. Loans and Receivables

	31/03/2022	31/03/2021
Secured	864,647,105	717,933,835
Unsecured	1,259,662	1,690,089
Gross Advances	865,906,767	719,623,924
Less Provisions for Credit Impairment	Note 8 (3,807,939)	(5,166,435)
Total Net Advances	862,098,828	714,457,489

6. Asset and Liability Categorisation

	31/03/2022	31/03/2021
Financial Assets:		
Financial Assets at Amortised Cost (including Cash and Cash Equivalents)	1,079,875,465	940,373,888
	1,079,875,465	940,373,888
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	983,005,072	854,011,020
	983,005,072	854,011,020

Notes to the financial statements

For the year ended 31 March 2022

7. Asset Quality

Asset Quality	31 March 2022				
	Residential	Commercial	Consumer	Personal	Total
Past Due but Not Impaired	1,682,183	580,821	5,267,769	27,120	7,557,893
Impaired	67,612	-	67,541	-	135,153
Neither Past Due Nor Impaired	429,589,772	345,220,561	82,170,846	1,232,542	858,213,721
Total	431,339,567	345,801,382	87,506,156	1,259,662	865,906,767

Ageing of Past Due Assets	31 March 2022				
	Residential	Commercial	Consumer	Personal	Total
Past due 0-29 days	751,647	-	1,493,036	26,223	2,270,906
Past due 30-59 days	747,780	170,696	1,175,392	897	2,094,765
Past due 60-89 days	-	-	1,355,314	-	1,355,314
Past due 90 days+	182,756	410,125	1,244,027	-	1,836,908
Carrying Amount	1,682,183	580,821	5,267,769	27,120	7,557,893

Movement in Impaired Assets	31 March 2022				
	Residential	Commercial	Consumer	Personal	Total
Opening Balance	-	76,289	103,764	-	180,053
Assets Classified as Past Due/Impaired	67,612	-	77,683	-	145,295
Client Repayments and Recoveries	-	(76,289)	(58,294)	-	(134,583)
Loan Balance Written Off	-	-	(11,516)	-	(11,516)
Assets no Longer Meeting Definition	-	-	(44,096)	-	(44,096)
Closing Balance	67,612	-	67,541	-	135,153

Asset Quality	31 March 2021				
	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	31 March 2021				
	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	31 March 2021				
	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

Notes to the financial statements

For the year ended 31 March 2022

8. Provision for Expected Credit Loss

	31 March 2022				
	Stage 1	Stage 2	Stage 3	Specific	Total
Provision for Credit Impairment					
Residential	1,422,100	4,088	1,446	67,612	1,495,246
Commercial	720,286	12,886	2,138	-	735,310
Consumer	1,098,452	53,181	67,842	67,541	1,287,016
Personal	62,938	404	-	-	63,342
Unrecognised Loan Commitments	227,025	-	-	-	227,025
	3,530,801	70,559	71,426	135,153	3,807,939
Opening Balance	4,619,121	177,006	203,065	167,243	5,166,435
Transfer Between Stages	(59,591)	5,666	9,295	44,630	-
Movement in Provisions	(1,013,124)	(97,448)	(130,398)	(65,204)	(1,306,174)
Amounts Written Off	15,605	14,665	10,536	(11,516)	52,322
Closing Balance	3,530,801	70,559	71,426	135,153	3,807,939
	Residential	Commercial	Consumer	Personal	Total
Reconciliation of Provision Movements					
Amounts Written Off/(Recovered)	-	-	51,681	641	52,322
Collective Provision	218,284	(961,611)	(561,917)	(21,230)	(1,326,474)
Specific Provision	67,612	(63,479)	(36,222)	-	(32,089)
Provision for Credit Impairment to Income Statement	285,896	(1,025,090)	(546,458)	(20,589)	(1,306,241)
	Stage1	Stage 2	Stage 3	Specific	Total
Loans and Receivables					
Residential	429,932,963	1,156,213	182,756	67,612	431,339,544
Commercial	341,807,591	3,583,666	410,125	-	345,801,382
Consumer	78,738,473	2,505,701	1,197,476	67,541	82,509,191
Personal	1,258,765	897	-	-	1,259,662
	851,737,792	7,246,477	1,790,357	135,153	860,909,779
Unearned Income (Consumer)					4,996,988
Gross Loans and Receivables	851,737,792	7,246,477	1,790,357	135,153	865,906,767
Allowance of Expected Credit Loss	(3,530,801)	(70,559)	(71,426)	(135,153)	(3,807,939)
Net Loans and Receivables	848,206,991	7,175,918	1,718,931	-	862,098,828

Notes to the financial statements

For the year ended 31 March 2022

	31 March 2021				
	Stage 1	Stage 2	Stage 3	Specific	Total
Provision for Credit Impairment					
Residential	1,182,779	3,798	-	-	1,186,577
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
Unrecognised Loan Commitments	204,839	-	-	-	204,839
	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	-
Movement in Provisions	1,353,214	12,003	-	13,957	1,379,204
Amounts Written Off	(142,880)	(60,107)	(22,469)	(196,939)	(422,395)
Closing Balance	4,619,121	177,006	203,065	167,243	5,166,435
	Residential	Commercial	Consumer	Personal	Total
Reconciliation of Provision Movements					
Amounts Written 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

Notes to the financial statements

For the year ended 31 March 2022

Expected Credit Loss Assumptions

The Expected Credit Loss (ECL) charge and ECL provisions as at 31 March 2022 are based on management judgement using a variety of internal and external information. The judgements and associated assumptions are made by considering historical loss experience and expectations of future events based on reasonable and supportable forecasts of future economic conditions. The global economy continues to face challenges caused by the COVID-19 pandemic, ongoing supply chain issues and labour shortages which are creating additional costs for businesses and contributing to higher inflation. The unpredictable nature of these future economic pressures make NBS's ECL estimates inherently uncertain, accordingly, actual results may differ from these estimates.

Judgement/Assumption	Changes and Considerations During the Year Ended 31 March 2022
Determining when a Significant Increase in Credit Risk (SICR) has Occurred	Various initiatives, such as restructured lending facilities and payment deferrals are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade client facilities.
Measuring both 12 month and Lifetime Credit Losses	The PD, EAD and LGD models are subject to the Society's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the period ended 31 March 2022. There were no changes to behavioural lifetime estimates during the the period ended 31 March 2022.
Base Case Economic Forecast	The Society derives a forward looking "base case" economic scenario which reflects their view of the most likely future macro economic conditions. The expected outcomes of key economic drivers for the base case scenario as at 31 March 2022 and those previously used as at 31 March 2021 are described below under the heading "Forecast base case assumptions".
Probability Weighting of each Scenario (Base Case, Upside, Downside and Severe Downside Scenarios)	<p>The key consideration for probability weightings in the current year is unemployment and GDP. In addition to the base case forecast, greater weighting has been applied to the downside and severe downside scenarios given the Society's assessment of downside risks.</p> <p>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. The Society considers these weightings in each geography to provide the best estimate of the possible loss outcomes and has analysed interrelationships and correlations (over both the short and long term) within the Society's credit portfolios in determining them.</p>

Notes to the financial statements

For the year ended 31 March 2022

Forecast Base Case Assumptions

The economic drivers of the base case economic forecasts at 31 March 2022 and those that were used at 31 March 2021 are set out below.

	Base Case Economic Forecast as at 31 March 2022	Base Case Economic Forecast as at 31 March 2021
Unemployment Rate	It is expected to average 3.5%.	Expected to average as high as 6.8%.
GDP in Certain Industries	Year on year economic growth is expected to increase both nationally and in the regions/industry in which NBS clients operate.	Year on year economic growth is expected to decline both nationally and in the regions/industry in which NBS clients operate.
Residential Property Values	House prices are expected to drop by a small percentage in the regions in which NBS operates.	Property prices are expected to remain stable.

ECL - Sensitivity Analysis

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

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Society 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	2,846,505	-25%
Base Scenario	3,807,929	0%
Downside Scenario	8,119,011	113%

Notes to the financial statements

For the year ended 31 March 2022

Input in Judgements Applied to Sensitivity Analysis Weightings

	Upside Scenario	Base Case Scenario	Downside Scenario
Unemployment Rate	3%	3.5%	-4.5%
Residential Property Values	0%	-1%	-5%
GDP in Certain Industries	1% less industries impacted than Base Scenario	GDP of 4.9%	1% more industries impacted than Base Scenario
Inflation	4%	5.1%	7%
Wage Growth	5%	4%	3%

9. Property, Plant & Equipment

31/03/2022 31/03/2021

Freehold Land and Buildings

Fair Value

Balance at Beginning of the Period	2,546,291	2,857,820
Revaluation	(865,833)	-
Additions	1,849,351	-
Disposals	(80,435)	(311,528)
Balance at End of the Period	3,449,374	2,546,291

Depreciation and Impairment

Balance at Beginning of the Period	(467,410)	(724,653)
Depreciation for the Period ¹	(19,374)	(16,638)
Accumulated Depreciation on Disposed Assets	44,727	273,881
Revaluation	422,683	-
Balance at End of the Period	(19,374)	(467,410)

Net Book Value of Freehold Land and Buildings

31/03/2022 31/03/2021

Computer Equipment

Cost

Balance at Beginning of the Period	509,466	498,692
Additions	3,710	10,774
Disposals	-	-
Balance at End of the Period	513,176	509,466

Depreciation and Impairment

Balance at Beginning of the Period	(389,094)	(212,892)
Depreciation for the Period ¹	(107,347)	(176,202)
Accumulated Depreciation on Disposed Assets	-	-
Balance at End of the Period	(496,441)	(389,094)

Net Book Value of Computer Equipment

16,735 **120,372**

Notes to the financial statements

For the year ended 31 March 2022

	31/03/2022	31/03/2021
Other Assets		
Cost		
Balance at Beginning of the Period	2,025,631	2,513,586
Additions	957,135	313,371
Disposals	(160,869)	(801,325)
Balance at End of the Period	2,821,897	2,025,631
Depreciation and Impairment		
Balance at Beginning of the Period	(1,212,667)	(1,586,299)
Depreciation for the Period ¹	(286,315)	(212,092)
Accumulated Depreciation on Disposed Assets	101,306	585,723
Balance at End of the Period	(1,397,676)	(1,212,667)
Net Book Value of Other Assets	1,424,221	812,964
Total Property, Plant and Equipment	4,870,956	3,012,217

¹Depreciation 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 2022. 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 was 4.75%. A significant decrease/increase in the rental capitalisation rate would result in an increase/decrease to the fair value of the land and building.

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

	31/03/2022	31/03/2021
Freehold Land	16,550	16,550
Buildings	2,239,971	412,323
	2,256,521	428,873

Intangible Assets

	31/03/2022	31/03/2021
Software		
Cost		
Balance at Beginning of the Period	946,450	490,139
Additions	256,144	744,549
Disposals	-	(288,238)
Balance at End of the Period	1,202,594	946,450
Amortisation and Impairment		
Balance at Beginning of the Period	(299,402)	(184,694)
Amortisation for the Period ²	(411,655)	(316,052)
Accumulated Amortisation on Disposed Assets	-	201,344
Balance at End of the Period	(711,057)	(299,402)
Net Book Value of Software	491,537	647,048

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

Notes to the financial statements

For the year ended 31 March 2022

11. Share Capital

31/03/2022 31/03/2021

50,268,500 50,638,500

During the year ended 31 March 2022 370,000 (net) preference shares were redeemed for \$1 each, fully paid. (31 March 2021: 11,590,000 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 2022: 4.50% (31 March 2021: 4.00%). NBS can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice. NBS paid dividends of \$1,513,272 for the period ending 31st March 2022 (31 March 2021: \$1,439,220).

12. Borrowings

31/03/2022 31/03/2021

Borrowings

Call Borrowings - Depositors

425,586,308 336,099,114

Term Borrowings - Depositors

555,709,793 515,128,584

Total Borrowings

981,296,101 851,227,698

	31/03/2022	Weighted Average Interest Rate %	31/03/2021	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	425,586,308	0.29	336,099,119	0.21
Between 0 and 1 year	505,287,825	1.69	458,215,210	1.50
Between 1 and 2 years	42,269,726	1.46	49,032,209	2.12
Between 2 and 5 years	8,152,241	2.36	7,881,160	1.59
Total Borrowings	981,296,101	1.08	851,227,698	1.03

All Borrowings are unsecured.

13. Commitments And Contingent Liabilities

NBS has a commitment for loans approved but not yet paid at 31 March 2022 of \$65,736,438. (31 March 2021: \$39,717,602).

Sponsorship commitments beyond 31 March 2022 total \$543,050. (31 March 2021: \$890,775).

As at 31 March 2022, capital commitments \$Nil. (31 March 2021: NBS made capital commitments of \$1,501,277 in relation to the refurbishment of the property at 111 Trafalgar Street of which 840,124 was incurred at 31 March 2021).

There were no contingent liabilities as at 31 March 2022 (31 March 2021: \$Nil).

Notes to the financial statements

For the year ended 31 March 2022

14. Leases (NBS as a Lessee)

	31/03/2022	31/03/2021
Right of Use Assets		
Cost		
Balance at Beginning of the Period	1,607,917	905,892
Additions	148,878	702,025
Balance at End of the Period	1,756,795	1,607,917
Accumulated Depreciation		
Balance at Beginning of the Period	(673,867)	(314,543)
Charge for the Year	(338,233)	(359,324)
Balance at End of the Period	(1,012,100)	(673,867)
Carrying Amount as at End of the Period	744,695	934,049

NBS leases 7 properties under the criteria set in NZ IFRS 16. The average remaining lease term is 3 years (2021: 3 years).

Amounts Recognised in the Statement of Comprehensive Income

	31/03/2022	31/03/2021
Depreciation Expense on Right of Use Asset	338,233	345,211
Interest Expense on Lease Liabilities	51,899	62,856
Expense Relating to Short-term Leases	38,693	56,069
Expense Relating to Variable Lease Payments Not Included in the Measurement of the Lease Liability	428,825	464,146
Lease Liabilities		
Maturity Analysis		
Year 1	276,222	293,304
Year 2	161,661	220,782
Year 3	85,092	114,771
Year 4	85,667	79,551
Year 5	90,375	83,923
Onwards	92,940	179,033
	791,957	971,364

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.

Notes to the financial statements

For the year ended 31 March 2022

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.

Financial Assets	31/03/2022		31/03/2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents and Term Deposits	217,745,484	217,745,484	225,836,297	225,836,297
Loans and Receivables	862,098,828	856,485,465	714,457,489	716,135,520
Trade Receivables	31,151	31,151	80,102	80,102
Total Financial Assets	1,079,875,463	1,074,262,100	940,373,888	942,051,919
Financial Liabilities				
Borrowings	981,296,101	982,688,074	851,227,698	852,573,056
Trade and Other Payables	917,014	917,014	1,811,958	1,811,958
Lease Liability	791,957	791,957	971,364	971,364
Total Financial Liabilities	983,005,072	984,397,045	854,011,020	855,356,378

Notes to the financial statements

For the year ended 31 March 2022

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.

Notes to the financial statements

For the year ended 31 March 2022

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2022

	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	25,132,443	130,225,453	0	0	0	0	155,357,896
Term Deposits	-	814,759	39,479,582	22,093,247	0	0	62,387,588
Trade Receivables	31,151	-	-	-	-	-	31,151
Personal Loans	-	40,195	144,735	324,161	2,010,234	4,010	2,523,335
Consumer Lending	-	23,152,908	15,085,498	26,449,804	30,788,886	99,555	95,576,651
Mortgages & Interest	97,172,585	79,679,122	51,180,510	79,547,266	161,217,553	526,770,304	995,567,340
Provision for Credit Impairment	(3,807,939)	-	-	-	-	-	(3,807,939)
Total Monetary Assets	118,528,240	233,912,437	105,890,325	128,414,478	194,016,673	526,873,869	1,307,636,022
Liabilities							
Borrowings	425,586,308	323,391,682	184,468,304	43,059,867	8,708,282	-	985,214,443
Trade and Other Payables	917,014	-	-	-	-	-	917,014
Employee Entitlements	485,654	-	-	-	-	-	485,654
Current Tax Liabilities	-	1,729,338	-	-	-	-	1,729,338
Total Monetary Liabilities	426,988,976	325,121,020	184,468,304	43,059,867	8,708,282	-	988,346,449
Net Monetary Assets/ (Liabilities)	(308,460,736)	(91,208,583)	(78,577,979)	85,354,611	185,308,391	526,873,869	319,289,573
Unrecognised Loan Commitments							
	(65,736,438)	-	-	-	-	-	(65,736,438)
Net Liquidity Gap	(374,197,174)	(91,208,583)	(78,577,979)	85,354,611	185,308,391	526,873,869	253,553,135

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	-	17,773,247	18,581,558	24,305,754	34,510,870	-	95,171,429
Mortgages & Interest	71,168,183	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	1,153,499,894
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	163,185,214	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	163,185,214	471,394,460	257,081,375

Notes to the financial statements

For the year ended 31 March 2022

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.

% of Equity	31/03/2022		31/03/2021	
	Bank	Other	Bank	Other
10-19	1	1	1	2
20-29	1	1	1	-
30-39	-	-	-	-
40-49	-	-	-	-
50-59	-	-	-	-
60-69	1	-	1	-
70-79	1	-	-	-
80-89	-	-	-	-
90+	-	-	1	-

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.

	31/03/2022	31/03/2021
Residential	521,843,361	469,810,574
Commercial	185,928,263	104,554,121
Agriculture	66,024,928	54,176,749
Personal Lending	2,392,166	1,327,767
Consumer Finance	85,910,110	84,588,277
	862,098,828	714,457,489

Information about Major Clients

At 31 March 2022 there was no one Client that individually comprised 10 per cent or more of the Total Revenue (2021: Nil).

Notes to the financial statements

For the year ended 31 March 2022

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 82% of the borrowings can be repriced or mature within twelve months (31 March 2021: 83%).

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

Interest Rate Repricing Schedule as at 31 March 2022

	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	1.33%	25,132,443	130,225,453				155,357,896
Term Deposits	2.12%	-	-	40,294,341	22,093,247	-	62,387,588
Trade Receivables		31,151		-	-	-	31,151
Personal Loans	10.80%	1,225,475			4,606	29,581	1,259,662
Consumer Lending	9.52%	109,459	8,324,258	14,323,278	3,854,100	61,027,085	87,638,180
Mortgage Advances	4.59%	183,621,135	136,564,320	291,800,845	153,918,255	11,104,370	777,008,925
Provision for Credit Impairment		(3,807,939)	-	-			(3,807,939)
Total Monetary Assets		206,311,724	275,114,031	346,418,464	179,870,208	72,161,036	1,079,875,463
Liabilities							
Borrowings	1.06%	426,745,320	321,654,462	42,049,769	181,206,838	9,639,712	981,296,101
Trade and Other Payables		917,014	-	-	-	-	917,014
Total Monetary Liabilities		427,662,334	321,654,462	42,049,769	181,206,838	9,639,712	982,213,115
Net Monetary Assets/ (Liabilities)		(221,350,610)	(46,540,431)	304,368,695	(1,336,630)	62,521,324	97,662,348
Unrecognised Loan Commitments	3.91%	(65,736,438)	-	-	-	-	(65,736,438)
Interest Sensitivity Gap		(287,087,052)	(46,540,431)	304,368,695	(1,336,630)	62,521,324	31,925,910

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)
Interest Sensitivity Gap		(205,766,854)	(126,836,004)	281,741,810	43,640,279	54,837,401	47,616,631

Notes to the financial statements

For the year ended 31 March 2022

19. Currency Risk

NBS is not exposed to currency risk.

20. Capital Adequacy

As at balance date all perpetual non-cumulative preference shares have full voting rights as such their contribution towards NBS capital is unrestricted. On this basis the Risk Weighted Capital Ratio as at 31 March 2022 is 12.39% (31 March 2021: 13.92%), as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related party Exposures) Regulations 2010. The minimum requirement per the regulations is 8%.

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.

21. Related Parties

A number of transactions are entered into with related parties (including key management personnel³) in the normal course of business. Details of these transactions are outlined below.

³Key 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	
	31/03/2022	31/03/2021
Loans and advances outstanding at beginning of period	2,166,417	1,310,903
Net loans issued/(repaid) during the period	1,144,579	855,514
Loans and advances outstanding at end of period	3,310,996	2,166,417

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 31 March 2022. (31 March 2021: \$Nil). All loans made to related parties have been made in accordance with NBS' lending policies.

(b) Deposits from Related Parties	Directors and Other Key Management Personnel	
	31/03/2022	31/03/2021
Deposits at beginning of period	1,032,004	538,465
Net (withdrawals made)/deposits received during the period	(54,736)	493,539
Deposits at end of period	977,268	1,032,004

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

Notes to the financial statements

For the year ended 31 March 2022

(c) Key Management Compensation (Excluding Directors) Comprised

	31/03/2022	31/03/2021
Salaries and Short-Term Employee Benefits	521,456	558,868
Post-Employment Benefits	31,008	30,890
Total Compensation of Key Management (Excluding Directors)	552,464	589,758

(d) Directors Fees

	31/03/2022	31/03/2021
Amounts Received, or Due and Receivable by Directors	337,584	266,668

(e) Other Related Party Transactions

During the period ending 31 March 2022, NBS entered into transactions with related parties involving: Investment in share capital \$600,000 (31 March 2021: \$600,000), Motor vehicle transactions (31 March 2022 \$299,599, March 2021 \$209,024) and human resource consultancy (31 March 2022 \$132,458, 31 March 2021 \$33,881).

22. Personnel Costs

Personnel expenses disclosed in the Statement of Comprehensive Income include compulsory contributions to employees KiwiSaver funds. During the year ending 31st March 2022 NBS made contributions of \$203,399 (31 March 2021: \$180,723).

23. Sensitivity Analysis

In managing interest rate risk the Society 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 2022 it is estimated that a general increase of one percentage point in interest rates would increase the Society's surplus before income tax and equity by \$698,648. (March 2021: \$370,503). 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.

24. Subsequent Events

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



NBS | **160**
Banking for life

YEARS



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