Annual Report

For the year ended 31 March 2024

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NBS is not a registered bank

NBS
Banking for life

Contents

The 162nd Annual Report of the

Nelson Building Society

Independent Directors	P A Bell (Board Chair) G L Wilson (Deputy Chair) G R Dayman G Bascand T N Cameron A L Fox G W Watt
Chief Executive Officer	A J Cadigan
Secretary	D Toon
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 Sixty Second Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 111 Trafalgar Street, Nelson on 31 July 2024 at 5pm.

Ordinary Business

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

A J Cadigan
Chief Executive

NBS Chief Executive, Tony Cadigan, and Board Chair Paul Bell.

**Tēnā koutou katoa.
Welcome to our Annual Report for 2023/24.**

Chair and Chief Executive Report

We're celebrating 162 years of providing banking services to our clients and making a difference in our communities. While it hasn't been an easy year, we've successfully navigated the challenges presented to us over the last 12 months.

Substantial progress has been made to identify how NBS can reorganise to more effectively execute our future strategies. This large programme of work, to improve and future-proof NBS, has energised both our people and board members.

Financial Result

NBS has reported a financial loss of $5.771 million for the year ended 31 March 2024. The result occurred due to a number of factors including a prudent increase in debt provisioning along with increased people costs. Consultancy and contractor fees were high, but necessary, as we needed an injection of immediate expertise to help us manage several complex regulatory obligations and remediations. Our most significant and costly regulatory challenge this year related to the *Credit Contracts and Consumer Finance Act (CCCFA)* and specifically adherence to the variation disclosures within this legislation. Other lenders in New Zealand have had similar challenges with the CCCFA.
We have also identified an issue with the consumer loan product and have provisioned for remediation payments to clients who have had an interest overcharge.

Despite this year-end result, we have maintained consistent asset levels at $1.1 billion and deposits of $1.02 billion. The current economic cycle has continued to affect lending activity, with a subdued property market and high interest rates seeing a decline in our loan book, to $819 million. Key metrics including liquidity and capital have remained robust and our equity position remains strong. Our client numbers continued to grow this year and number well over 20,000 across our personal, business and community banking product offerings.

Building the Foundations

This year we established a new programme of work focused on delivering two key objectives. The first is an enhanced target operating model for NBS that will provide a deep understanding of how NBS can organise and prioritise to meet future goals. The second objective looks at how we deliver continuous improvement for managing risk and compliance – ensuring processes, people and technology are aligned. This work is ongoing and has already had a positive impact on the wider business and provided clarity around our future.

One of the key drivers of NBS creating a more resilient organisation is our investment in technology. The investments made this year to improve the performance of our current platform and vendors has made us more robust, while we also consider future opportunities to become a technology-enabled organisation. One particular highlight of our system uplift executed this year has provided increased protection for clients from financial scams and fraud.

A new NBS Debit Card

This year has seen the successful roll-out of an NBS debit card to clients. The decision to change to a new card provider was driven by our desire to offer future digital functionality such as Apple Pay and Google Pay, which are features we believe are important to our transactional clients.

The new NBS Debit Mastercard.

Climate Change Reporting

NBS is a climate-reporting entity under the *Financial Markets Conduct Act 2013*. Available with this annual report at *nbs.co.nz/about/documents-and-disclosures/* is a separate document detailing NBS' disclosures made in line with Aotearoa New Zealand Climate Standards. We recognise climate change poses a significant risk and we are therefore committed to embedding key considerations on the current and future impacts of climate change across our business. This includes taking actions to reduce our carbon footprint but also, in time, engaging our clients to take action. Managing climate change risk is key to the mid and long-term resilience of our business.

NBS supporting rat trapping efforts on the West Coast.

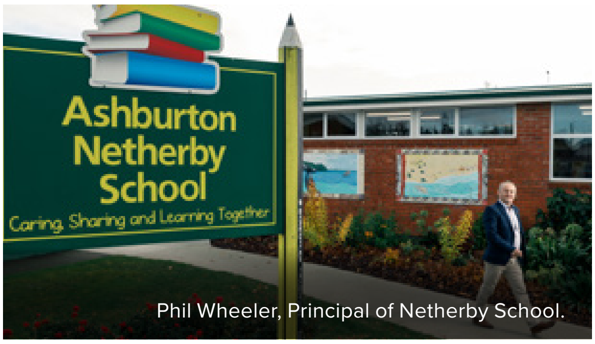
Community Investment

We distributed a record $1.4 million of sponsorship support back into our community this year, supporting over 300 organisations. Aligned to our promise of addressing the impacts of climate change, we have made a conscious decision to invest in organisations making a difference in this area. Environmental spend now accounts for 10% of our sponsorship budget. Our clients continue to tell us that our support of not-for-profit groups is one of the key reasons they bank with us. The funds we provide are a commitment to the wellbeing of our wider community and we remain committed to this programme.

Paul Hampton of Victory Boxing.

Reflecting on the past year, NBS has shown considerable resilience and agility in dealing with the challenges and changes that have occurred in this time. We remain committed to our model of providing a truly local and personal banking experience for our clients and investing back into our communities. We will also continue to build capacity and capability across our business to position NBS as a secure, sustainable and respected banking organisation.

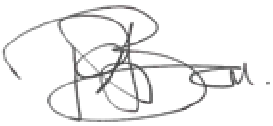
On behalf of the Board of Directors, we would like to recognise the hard-working team at NBS who continue to put their clients and communities first. And finally, an acknowledgement of thanks to our loyal client base for your continued support of NBS.



Phil Wheeler, Principal of Netherby School.


NBS Chief Executive Tony Cadigan with members of the Kawatiri Trail project.


A J Cadigan
Chief Executive

P A Bell
Board Chair

Financial Statements

Deloitte.

Independent Auditor's Report

To the Members of Nelson Building Society

Opinion

We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2024, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements, on pages 12 to 48, present fairly, in all material respects, the financial position of the Society as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

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

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

We are independent of the Society in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other non-assurance assignments for the Society in the area of taxation compliance, a gap analysis of climate-related disclosure, Expected Credit Loss workshop and other assurance services. These services have not impaired our independence as auditor of the Society. In addition to this, partners and employees of our firm deal with the Society on normal terms within the ordinary course of trading activities of the business of the Society. The firm has no other relationship with, or interest in, the Society.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit loss (Refer to Notes 6 and 7) The Expected Credit Loss (ECL) impairment model under NZ IFRS 9 takes into account forward looking information reflecting potential future economic events. This has resulted in the Society developing models which are reliant on large volumes of data, as well as significant estimates around probability of default ('PoD'), loss given default ('LgD') and exposure at default ('EAD'). We consider the risk around the determination of expected credit losses to be a key audit matter because: • Loans and Receivables, including mortgages, commercial, personal, consumer loans and overdrafts, are financially significant account balances; • The model used to calculate ECLs are inherently complex and	• 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: • Evaluated the systems, processes and controls in place over the critical data elements used in the ECL models, including general IT controls for key applications used by the Society in estimated the ECL; • Assessed the Society's accounting policies and ECL methodology and approach 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

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Key audit matter	How our audit addressed the key audit matter
judgement is applied in determining the correct form of the model to be applied; • Judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models and requires us to challenge the appropriateness of management's assumptions in the calculation of the provision; • There are a number of key assumptions made by the Society as inputs into the models (e.g.: statistical and economic forecasts); and • Specific provisions are based on the application of management judgement with the assessment of expected future cash flows being inherently uncertain and judgemental as they are principally derived from estimating the timing and proceeds from the future sale of property securing loans.	inputs such as loan data; • Validated the ECL model outputs by involving our credit risk specialists to develop an independent model to form an independent estimate of the provision 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; • Evaluated the probability weightings allocated to the multiple economic scenarios by benchmarking against industry trends and considering the appropriateness of selected weightings; • 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; • Assessed management judgement around specific provisioning and whether this is in accordance with their ECL policy; • 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; and • Evaluated the disclosures made in relation to provision for expected credit losses against the requirements of NZ IFRS.
Provision for customer remediation (Refer to the significant judgements, accounting estimates and assumptions and disclosures in Note 13 and 15) The Society has recognised provisions in relation to customer remediation activities resulting from compliance issues identified during internal reviews undertaken. The remediation activities relate to: • Voluntary payments to customers due to variation disclosures not being undertaken in accordance with the *Credit Contracts and Consumer Finance Act.* • Refunds of interest overcharged on certain consumer loan products and associated compensation. The interest overcharge has been estimated based on historic loan data and loan characteristics (loan amount, payment frequency) for the customers affected, with calculations expected to be finalised in FY2025. The provision also includes an estimate of the incremental costs incurred to enact the remediation payments and the Society has disclosed a contingent liability in relation to possible regulator activity related to these events. We consider the customer remediation provision to be a key audit matter due to the estimation required both for the interest overcharge / compensation amount and the incremental costs expected to be incurred and due to the additional auditor effort required.	We obtained an understanding of the Society's process and controls for identifying the issues raised and determining the amounts due. This included making enquiries of management and legal representatives, and reading minutes, correspondence with regulatory bodies and other relevant documentation. We also: • Tested the accuracy and completeness of the loan data sets used to determine the customer remediation amounts. With the support of IT specialists, we: – Assessed the report parameters based on our knowledge of the loan characteristics expected to be included in the populations. – Reperformed the data extract and reconciled, on a sample basis, the loan data to the loan data used in the Society's calculation. – Checked data accuracy for a sample of loans to loan documentation, specifically focusing on key loan attributes used in the remediation provision calculation as it relates to the variation disclosure and interest overcharge provision. • Challenged the methods used and assumptions applied by the Society to estimate the amount of the customer remediation. • Reperformed the calculation of the variation disclosure and interest overcharge remediation provisions. • Evaluated the basis for recognition of a provision and associated costs against the requirements of the accounting

Deloitte.

Key audit matter	How our audit addressed the key audit matter
	standards. • Tested the estimate of incremental costs by agreeing the amounts estimated to contracts entered into or other third party information, or by agreeing the amounts to invoices received subsequent to the end of the financial year, where relevant.

Other information

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

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

Nicole Dring, Partner
for Deloitte Limited
Christchurch, New Zealand
10 July 2024

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2024 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 10 July 2024 to confirm the information included in the audited financial statements presented on this website.

Income Statement and Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	Year to 31/03/2024 $	Year to 31/03/2023 $
Income			
Interest income received from:			
Income from mortgages and personal loans		56,119,932	40,229,661
Income from consumer lending		4,674,839	7,803,663
Income from bank deposits, investments and debentures		12,680,669	5,599,590
Total interest income		**73,475,440**	**53,632,914**
Finance costs			
Interest on term and call deposits		(41,004,019)	(18,859,268)
Consumer lending commission		(2,345,919)	(3,215,494)
		(43,349,938)	**(22,074,762)**
Net interest income		**30,125,502**	**31,558,152**
Other income			
Bad debts recovered		35,421	16,373
Transaction and service fees		1,235,538	1,215,827
Other income		1,004,437	530,100
		2,275,396	**1,762,300**
Gross contribution from activities		**32,400,898**	**33,320,452**
Overhead expenses			
Auditor's remuneration	1	(250,926)	(177,043)
Administration expenses	2	(20,049,511)	(6,196,133)
Amortisation and depreciation		(694,977)	(822,191)
Right-of-use asset amortisation and interest	9	(532,651)	(479,023)
Directors' fees	24	(446,554)	(387,000)
Personnel cost[1]		(12,236,109)	(7,594,184)
Provision for credit impairment	6	(3,849,431)	(2,649,141)
Sponsorship		(1,446,549)	(1,140,057)
Total expenses		**(39,506,708)**	**(19,444,772)**
(Deficit)/surplus before taxation		**(7,105,810)**	**13,875,680**
Income tax recovery (expense)	3	1,334,531	(3,931,384)
Net (deficit)/surplus		**(5,771,279)**	**9,944,296**
Statement of Comprehensive Income **For the year ended 31 March 2024**			
(Deficit)/surplus for the year		(5,771,279)	9,944,296
Items that will not be reclassified subsequently to the *Income Statement*			
Movement on revaluation of property – net of income tax		(40,793)	-
Other comprehensive income for the year – net of income tax		**(40,793)**	**-**
Total comprehensive income for the year		**(5,812,072)**	**9,944,296**

[1] Personnel costs includes $1,224,609 related to remediation project costs (31 March 2023: $nil).

The Notes to the Financial Statements (pages 17 to 48) form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2024

	Note	Share capital	Revaluation reserve	Retained earnings	Total
		$	$	$	$
Balance as at 31 March 2022		**50,268,500**	**1,059,850**	**51,508,076**	**102,836,426**
Net surplus and other comprehensive income		-	-	9,944,296	9,944,296
Shares net movement	14	(147,500)	-	-	(147,500)
Dividends paid	14	-	-	(2,100,888)	(2,100,888)
Balance as at 31 March 2023		**50,121,000**	**1,059,850**	**59,351,484**	**110,532,334**
Net deficit and other comprehensive income		-	(40,793)	(5,771,279)	(5,812,072)
Shares net movement	14	(500,000)	-	-	(500,000)
Dividends paid	14	-	-	(2,744,613)	(2,744,613)
Balance as at 31 March 2024		**49,621,000**	**1,019,057**	**50,835,592**	**101,475,649**

Approval of financial statements for the year ended 31 March 2024

Authorised for issue

These financial statements were authorised for issue on and behalf of the board of directors on 10 July 2024.

A J Cadigan
Chief Executive

P A Bell
Board Chair

G Wilson
Deputy Chair

The Notes to the Financial Statements (pages 17 to 48) form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2024

	Note	Year to 31/03/2024	Year to 31/03/2023 (restated)
		$	$
Assets			
Cash and cash equivalents	4	304,019,102	160,805,654
Term deposits		-	71,711,738
Trade receivables		87,701	84,513
Prepayments		2,012,933	1,659,447
Current tax receivables	3	1,686,170	-
Deferred taxation	3	3,284,447	2,290,644
Loans and receivables			
Mortgages		775,300,259	814,687,789
Personal loans		598,420	785,729
Consumer lending		44,338,267	79,103,702
Overdrafts		9,235,597	6,326,082
Less provision for credit impairment	6	(10,043,430)	(5,558,577)
	5	**819,429,113**	**895,344,725**
Property			
Property, plant and equipment	8	4,794,094	5,098,329
Right-of-use assets	9	2,027,965	1,919,441
Intangible assets			
Software	10	14,938	120,608
Total assets		**1,137,356,463**	**1,139,035,099**
Liabilities			
Employee entitlements		1,292,870	744,275
Trade and other payables	11	3,928,016	1,215,120
Lease liabilities	9	2,214,643	2,055,862
Current tax liabilities	3	-	785,342
Borrowings	12	1,022,510,182	1,022,895,960
Other provisions	13	5,935,103	806,206
Total liabilities		**1,035,880,814**	**1,028,502,765**
Net assets		**101,475,649**	**110,532,334**
Equity			
Share capital	14	49,621,000	50,121,000
Retained earnings		50,835,592	59,351,484
Revaluation reserve		1,019,057	1,059,850
Total equity		**101,475,649**	**110,532,334**

The Notes to the Financial Statements (pages 17 to 48) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2024

	Note	Year to 31/03/2024	Year to 31/03/2023
		$	**$**
Cash flows from operating activities			
Interest received		72,509,596	54,875,867
Other income		2,275,396	1,762,300
Interest paid		(38,869,063)	(18,434,506)
Operating expenses		(25,752,783)	(15,861,523)
Income taxes paid	3	(2,114,920)	(6,000,000)
Net cash flows from operating activities before changes in operating assets and liabilities		**8,048,226**	**16,342,138**
Net change from operating assets and liabilities			
Change in loans and receivables		71,662,336	(29,669,360)
Change in borrowings		(4,866,653)	31,633,521
Net cash flows provided by operating activities		**74,843,909**	**18,306,299**
Cash flows from investing activities			
Change in term deposits		72,446,005	(9,568,197)
Sale of property, plant and equipment		20,618	36,327
Purchase of property, plant and equipment	8	(370,078)	(696,987)
Purchase of intangible assets	10	-	(3,414)
Net cash flows (used in) provided by investing activities		**72,096,545**	**(10,232,271)**
Cash flows from financing activities			
Shares net movement	14	(500,000)	(147,500)
Dividends paid	14	(2,744,613)	(2,100,888)
Repayment of lease liabilities		(482,393)	(377,882)
Net cash flows used in financing activities		**(3,727,006)**	**(2,626,270)**
Net increase in cash		143,213,448	5,447,758
Opening cash and cash equivalents		160,805,654	155,357,896
Closing cash and cash equivalents	4	**304,019,102**	**160,805,654**

The Notes to the Financial Statements (pages 17 to 48) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2024

	Note	Year to 31/03/2024	Year to 31/03/2023
		$	**$**
Reconciliation of net (deficit) surplus to cash flows from operating activities			
Net (deficit)/surplus		(5,771,279)	9,944,296
Non cash items			
Deferred taxation		(977,939)	(1,124,620)
Amortisation and depreciation		694,977	822,191
(Gain) or loss on disposal of assets		7,730	(14,561)
Right of use amortisation and interest		532,651	467,041
Change in provision for credit impairment		4,484,853	1,977,663
Change in accrued interest on borrowings		4,480,875	3,640,256
Change in accrued interest on term deposits		(734,267)	244,047
Change in deferred establishment fee revenue		(231,577)	998,907
Change in other provisions		5,128,897	579,181
		13,386,200	**7,590,105**
Movement in working capital			
Change in trade and other payables		2,712,896	298,106
Change in current tax receivables/liabilities		(2,471,512)	(943,996)
Change in trade receivables		(3,188)	(53,362)
Change in prepayments		(353,486)	(751,632)
Change in employee entitlements		548,595	258,621
Change in loans and receivables		71,662,336	(29,669,360)
Change in borrowings		(4,866,653)	31,633,521
		67,228,988	771,898
Net cash flows from operating activities		**74,843,909**	**18,306,299**

The Notes to the Financial Statements (pages 17 to 48) form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2024

Summary of material 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 *IFRS Accounting Standards ('NZ IFRS')* and other applicable financial reporting standards as appropriate for profit orientated entities. The financial statements also comply with *IFRS Accounting Standards ('IFRS')* as issued by the *International Accounting Standards Board ('IASB'*).

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

The financial statements were authorised by the directors on 10 July 2024.

Basis of preparation

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

Going concern

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

Presentation currency

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

Principal activities

NBS' principal activities during the year were:

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

Particular accounting policies

a. 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 2024 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 requirements. This requires the use of complex models and significant assumptions about economic conditions and credit behaviour (eg, the likelihood of clients defaulting and the resulting losses).

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

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

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

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

Customer remediation provisions

The determination of compliance and remediation provisions involves a significant degree of judgement.

This provision involves judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and or disclosures as deemed appropriate have been made.

Determining the amount of the provision, which represents management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted clients, the average refund per client, the associated remediation project costs, and the implications of regulatory exposures and client claims having regard to their specific facts and circumstances. The appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice, and adjustments are made to the provisions where appropriate.

Refer to note 13 for more information about provisions in the current year.

Changes in accounting policies

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

There have been no changes in accounting policies.

b. Revenue recognition

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

- **Interest income**

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

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

  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 (eg, prepayment options), but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

- **Loan origination fees**

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

- **Fee and commission income**

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

Notes to the Financial Statements

For the year ended 31 March 2024

NBS provides banking 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. Service fees are charged on a monthly basis and are based on fixed and variable rates.

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

c. Expense recognition

- **Interest expense**

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

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

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

- **Commissions and other fees**

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

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

e. 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*.

f. 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 changes.

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

- **Recognition and measurement of financial assets**

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

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

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

- **Derecognition of financial assets**

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

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

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

Loans and receivables

Loans and receivables cover all forms of lending to clients such as mortgages, consumer loans and personal loans. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost using the effective interest 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, cash on call and cash equivalents. Cash equivalents are short term (generally with an original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk in changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

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

Term deposits

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

Impairment

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

Measuring ECL - explanation of inputs, assumptions and estimation techniques

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

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

Notes to the Financial Statements

For the year ended 31 March 2024

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

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

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

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

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

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

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

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

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

NBS sometimes renegotiates or otherwise modifies contracts with counterparties. The revised terms may alter the timing of the contractual cash flow, but do not result in de-recognition of the original loan, unless the revision terms are substantially different to those of the existing 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.

g. Property, plant and equipment

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

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

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

Revaluation

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

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

Depreciation

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

Depreciation rates are reviewed annually.

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

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

h. 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 life of three years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

i. Leases

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

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

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

- fixed lease payments including 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 lease liability, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

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

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

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

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

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

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

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

j. Liabilities

NBS classifies its financial liabilities at amortised cost.

Borrowings

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

Derecognition of financial liabilities

NBS derecognises a financial liability from its *Statement of Financial Position*, when 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

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

Other provisions

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

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

k. Equity

Debt and equity instruments

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

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

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

Notes to the Financial Statements

For the year ended 31 March 2024

l. *Statement of Cash Flows*

Basis of presentation

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

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

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

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

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

Netting of cash flows

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

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

There are a number of standards, amendments and interpretations which have been approved but are not yet effective that NBS expects to adopt when they become mandatory. *NZ IFRS 18* was issued in May 2024 and applies to annual reporting periods beginning on or after 1 January 2027. It includes requirements for all entities applying *IFRS* for the presentation and disclosure of information in financial statements. There will be changes to the structure of the income statement with categories including operating, investing and financing required to be disclosed as well as requiring certain subtotals. The standard also makes changes in the area of reporting management-defined performance measures, and the aggregation and disaggregation of the financial statements and notes. Retrospective application will be required with comparative information needing to be provided, and a reconciliation will need to be performed between how the income statement was presented for the comparative period and how it is presented in the year of the adoption of *NZ IFRS 18*.

n. Comparative figures

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

The provision for credit impairment - unrecognised loan commitments has been reclassified from trade and other payables to other provisions to better reflect its nature. This has had the impact of reclassifiying comparatives in notes 11, 13, 16, 17, 18 and 20.

Overdrafts have been restated to be disclosed as a separate line item in loans and receivables in the *Statement of Financial Position* given a lack of intention to settle the overdrafts with borrowings on a net basis, as was disclosed in error in the prior year. This has had the impact of restating comparatives in notes 6, 7, 12, 16, 17, 18, 19 and 20.

Unrecognised loan commitments has been restated by increasing by $11,793,406 in the prior year to include the undrawn balance of overdrafts. This has had the impact of restating the unrecognised loan commitments as shown in notes 6,15, 18, and 20.

Notes to the Financial Statements

For the year ended 31 March 2024

1. Auditor's remuneration

	Year to 31/03/2024	Year to 31/03/2023
Assurance services in respect of financial statement audit	159,850	140,300
Assurance services in respect of trustee reporting	21,448	18,400
Other services in respect of climate disclosures[1]	31,050	-
Non assurance services in respect of ECL workshop	14,950	-
Non assurance services in respect of taxation compliance	23,628	18,343
	250,926	**177,043**

[1] Non assurance services- gap analysis of climate related disclosures.

2. Administration expenses

	31/03/2024	31/03/2023
Branch and operational expenses[1]	8,100,952	2,072,010
Marketing expenses	813,623	767,205
Computer expenses	3,422,537	2,113,073
Property expenses	351,069	268,055
Professional expenses[2]	7,361,330	975,790
	20,049,511	**6,196,133**

[1] Branch and operational expenses includes $5,381,382 related to remediation expenses (31 March 2023: $nil).

[2] Professional expenses includes $5,168,429 related to remediation project costs (31 March 2023: $nil).

3. Taxation

	31/03/2024	31/03/2023
(a) Income tax recognised in the *Income Statement*		
Current income tax expense	150,969	5,161,790
Adjustments recognised in relation to the current income tax of prior periods	(507,561)	(105,786)
Deferred tax expense relating to the origination and reversal of temporary differences	(1,487,082)	(1,232,599)
Adjustments recognised in relation to the deferred tax of prior periods	509,143	107,979
Total income tax (recovery)/expense recognised in the *Income Statement*	**(1,334,531)**	**3,931,384**

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

	31/03/2024	31/03/2023
(Deficit)/surplus before tax	(7,105,810)	13,875,680
Taxation thereon at 28%	(1,989,627)	3,885,191
Tax effect of expenses that are not deductible in determining taxable profit	29,842	44,000
Under provision of income tax in previous year	1,582	2,193
Removal of commercial building depreciation	623,672	-
Total income tax (recovery)/expense recognised in the *Income Statement*	**(1,334,531)**	**3,931,384**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2023: 28%) payable by New Zealand companies under New Zealand tax law.

(b) Current tax (receivables)/liabilities

	31/03/2024	31/03/2023
Balance at the beginning of the year	785,342	1,729,338
Current income tax expense	150,969	5,161,790
Adjustments recognised in relation to the current income tax of prior periods	(507,561)	(105,786)
Income taxes paid	(2,114,920)	(6,000,000)
Balance at end of year	**(1,686,170)**	**785,342**

Notes to the Financial Statements

For the year ended 31 March 2024

	31/03/2024	31/03/2023
(c) Deferred taxation		
Balance at the beginning of the year	2,290,644	1,166,024
Charged to the *Income Statement*	977,939	1,124,620
Charged to other comprehensive income	15,864	-
Balance at end of period (deferred tax asset)	**3,284,447**	**2,290,644**
Deferred tax relates to:		
Provision for credit impairment	2,844,100	1,782,139
Property, plant and equipment	(759,582)	(156,547)
Leases	52,270	38,198
Employee entitlements	362,004	169,999
Other temporary differences	785,655	456,855
	3,284,447	**2,290,644**
Deferred tax recognised in the *Income Statement*:		
Provision for credit impairment	1,061,961	715,917
Property, plant and equipment	(601,943)	(2,970)
Leases	14,072	24,964
Employee entitlements	192,004	32,057
Other temporary differences	311,845	354,652
Total deferred tax recognised in the *Income Statement*	**977,939**	**1,124,620**
Deferred tax recognised in other comprehensive income:		
Asset revaluation reserve	**15,864**	**-**
(d) Imputation credit account		
Opening balance	24,205,871	19,170,363
Income taxes paid	2,114,920	6,000,000
Dividends paid	(1,067,350)	(817,021)
Prior year adjustment	(217,069)	(147,471)
Imputation credits available for use at balance date	**25,036,372**	**24,205,871**

4. Cash and cash equivalents	**31/03/2024**	**31/03/2023**
Bank deposits at call	224,041,205	148,354,218
Term deposits held with New Zealand banks	77,871,491	10,021,863
Cash on hand	2,106,406	2,429,573
	304,019,102	**160,805,654**

Guarantees of $1,500,000 have been issued by Westpac New Zealand Limited of behalf of NBS (31 March 2023: $1,500,000).

Notes to the Financial Statements

For the year ended 31 March 2024

5. Loans and receivables

	Note	31/03/2024	31/03/2023
Secured		828,874,123	900,117,573
Unsecured		598,420	785,729
Gross advances		**829,472,543**	**900,903,302**
Less provisions for credit impairment	6	(10,043,430)	(5,558,577)
Total net advances		**819,429,113**	**895,344,725**

6. Provision for expected credit loss

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

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

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

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

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

Overdrafts: These are overdrafts on deposit accounts.

31 March 2024					
	Stage one	**Stage two**	**Stage three**	**Specific**	**Total**
Provision for credit impairment					
Residential	402,275	303,403	153,164	25,000	883,842
Commercial	1,750,371	4,445,788	527,731	70,000	6,793,890
Consumer	520,408	610,562	842,387	155,128	2,128,485
Personal	3,437	-	-	-	3,437
Overdrafts	57,224	176,552	-	-	233,776
	2,733,715	**5,536,305**	**1,523,282**	**250,128**	**10,043,430**
Opening balance	5,333,817	26,832	95,484	102,444	5,558,577
Transfer between stages	(116,610)	117,583	(6,003)	5,030	-
Movement in provisions	(2,483,492)	5,391,890	1,383,073	136,667	4,428,138
Amounts written off	-	-	50,728	5,987	56,715
Closing balance	**2,733,715**	**5,536,305**	**1,523,282**	**250,128**	**10,043,430**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Provision for credit impairment movements						
Amounts written off	-	-	50,728	5,987	-	56,715
Provision for unrecognised loan commitments	(191,041)	(505,296)	(2,426)	(10)	6,636	(692,137)
Collective provision	(1,096,220)	5,719,627	(426,702)	(93,312)	233,776	4,337,169
Specific provision	25,000	15,000	107,684	-	-	147,684
Provision for credit impairment to *Income Statement*	**(1,262,261)**	**5,229,331**	**(270,716)**	**(87,335)**	**240,412**	**3,849,431**

Notes to the Financial Statements

For the year ended 31 March 2024

	Stage one	Stage two	Stage three	Specific	Total
Loans and receivables					
Residential	377,347,472	2,781,808	1,143,002	92,719	381,365,001
Commercial	367,866,931	24,277,146	2,358,696	331,817	394,834,590
Consumer	34,691,813	4,672,397	2,745,610	369,755	42,479,575
Personal	598,420	-	-	-	598,420
Overdrafts	8,193,085	1,042,512	-	-	9,235,597
Subtotal	**788,697,721**	**32,773,863**	**6,247,308**	**794,291**	**828,513,183**
Unearned income					959,360
Gross loans and receivables	**788,697,721**	**32,773,863**	**6,247,308**	**794,291**	**829,472,543**
Allowance of expected credit loss	(2,733,715)	(5,536,305)	(1,523,282)	(250,128)	(10,043,430)
Net loans and receivables	**785,964,006**	**27,237,558**	**4,724,026**	**544,163**	**819,429,113**

	Note	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Expected credit loss allocated to unrecognised loan commitments							
Unrecognised loan commitment		28,868,142	70,766,127	848,874	9,107	8,789,923	109,282,173
Expected credit loss provision	13	6,134	98,343	2,867	89	6,636	114,069
Movement from prior year		**(191,041)**	**(505,296)**	**(2,426)**	**(10)**	**6,636**	**(692,137)**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Impact from changes in loan carrying balances and committed loans						
Increase in provision from loan originations	71,893	731,376	379,915	1,678	275	1,185,137
Decrease in provision from loan derecognitions	(403,252)	(291,046)	(562,153)	(32,455)	-	(1,288,906)
Change in provision from continuing loans	(739,861)	5,294,297	(136,780)	(62,535)	233,501	4,588,622
Net movement in collective and specific provision	**(1,071,220)**	**5,734,627**	**(319,018)**	**(93,312)**	**233,776**	**4,484,853**

Notes to the Financial Statements

For the year ended 31 March 2024

	31 March 2023 (restated)				
	Stage one	**Stage two**	**Stage three**	**Specific**	**Total**
Provision for credit impairment					
Residential	1,935,041	5,249	14,772	-	1,955,062
Commercial	986,138	13,826	4,299	55,000	1,059,263
Consumer	2,315,889	7,757	76,413	47,444	2,447,503
Personal	96,749	-	-	-	96,749
	5,333,817	**26,832**	**95,484**	**102,444**	**5,558,577**
Opening balance	3,303,776	70,559	71,426	135,153	3,580,914
Transfer between stages	35,978	(20,939)	11,748	(26,787)	-
Movement in provisions	2,086,361	(22,788)	12,310	(5,922)	2,069,961
Amounts written off	(92,298)	-	-	-	(92,298)
Closing balance	**5,333,817**	**26,832**	**95,484**	**102,444**	**5,558,577**

	Residential	**Commercial**	**Consumer**	**Personal**	**Total**
Provision for credit impairment movements					
Amounts written off	-	21,481	70,817	-	92,298
Collective provision	1,106,608	268,953	1,180,584	33,407	2,589,552
Specific provision	(67,612)	55,000	(20,097)	-	(32,709)
Provision for credit impairment to *Income Statement*	**1,038,996**	**345,434**	**1,231,304**	**33,407**	**2,649,141**

	Stage one	**Stage two**	**Stage three**	**Specific**	**Total**
Loans and receivables					
Residential	418,699,837	1,097,977	2,505,634	-	422,303,448
Commercial	390,009,890	2,917,902	344,419	243,038	393,515,249
Consumer	67,523,604	150,253	7,134,333	102,446	74,910,636
Personal	785,729	-	-	-	785,729
Overdrafts	6,326,082	-	-	-	6,326,082
Subtotal	**883,345,142**	**4,166,132**	**9,984,386**	**345,484**	**897,841,144**
Unearned income					3,062,158
Gross loans and receivables	**883,345,142**	**4,166,132**	**9,984,386**	**345,484**	**900,903,302**
Allowance of expected credit loss	(5,333,817)	(26,832)	(95,484)	(102,444)	(5,558,577)
Net loans and receivables	**878,011,325**	**4,139,300**	**9,888,902**	**243,040**	**895,344,725**

Notes to the Financial Statements

For the year ended 31 March 2024

	Note	Residential	Commercial	Consumer	Personal	Overdrafts[1]	Total
Expected credit loss allocated to unrecognised loan commitments							
Unrecognised loan commitment		32,876,130	100,834,591	882,420	16,548	11,793,406	146,403,095
Expected credit loss provision	13	197,175	603,639	5,293	99	-	806,206
Movement from prior year		**119,858**	**453,932**	**5,292**	**99**	-	**579,181**

[1] $134,609,689 was disclosed as unrecognised loan commitments in the prior year. This balance has been restated to include the undrawn balance of overdrafts.

	Residential	Commercial	Consumer	Personal	Total
Impact from changes in loan carrying balances and committed loans					
Increase in provision from loan originations	373,805	345,900	1,026,105	41,104	1,786,914
Decrease in provision from loan derecognitions	(137,638)	(233,144)	(320,079)	(23,724)	(714,585)
Change in provision from continuing loans	223,650	211,197	454,461	16,026	905,334
Net movement in collective and specific provision	**459,817**	**323,953**	**1,160,487**	**33,406**	**1,977,663**

Expected credit loss assumptions

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

Judgement/ assumption	Changes and considerations during the year ended 31 March 2024
Determining when a significant increase in credit risk (SICR) has occurred	Various initiatives, such as restructured lending facilities and payment deferrals are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade client facilities.
Measuring both 12 month and lifetime credit losses	The PD, EAD and LGD models are subject to NBS' model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 31 March 2024. There were no changes to behavioural lifetime estimates during the year ended 31 March 2024.
Base case economic forecast	NBS derives a forward looking "base case" economic scenario which reflects their view of the most likely future macro economic conditions. The expected outcomes of key economic drivers for the base case scenario as at 31 March 2024 and those previously used as at 31 March 2023 are described below under the heading "Forecast base case assumptions".
Probability weighting of each scenario (base case, upside and downside scenarios)	The key consideration for probability weightings in the current year is unemployment and property values. In addition to the base case forecast, weighting has been applied to the downside and upside scenarios to determine the appropriate provision. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. NBS considers these weightings in each scenario to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within NBS' credit portfolios in determining them.

Notes to the Financial Statements

For the year ended 31 March 2024

Forecast base case assumptions

The economic drivers of the base case economic forecasts at 31 March 2024 and those that were used at 31 March 2023 are set out below:

	Base case economic forecast as at 31 March 2024	**Base case economic forecast as at 31 March 2023**
Unemployment rate	It is expected to average 5%.	It is expected to average 5.3%.
Gross domestic product in certain industries	Not utilised in current financial year.	Year on year economic output is expected to increase both nationally and in the regions/industry in which NBS clients operate.
Residential property values	House prices are expected to rise by 3.8%	House prices are expected to drop by a moderate percentage in the regions in which NBS operates.

ECL - sensitivity analysis

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

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

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

	Total ECL provision	**Impact on *Income Statement* surplus**	
Upside scenario	9,237,918	669,453	Increase
Base scenario	9,630,191	277,180	Increase
Downside scenario	10,032,290	124,919	Decrease

Input used within the different scenarios	**Upside scenario**	**Base case scenario**	**Downside scenario**
Unemployment rate	4.90%	5.00%	5.70%
Residential property values	11.30%	3.80%	3.00%

Notes to the Financial Statements

For the year ended 31 March 2024

7. Asset quality

	31 March 2024					
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Asset quality						
Past due but not impaired	8,321,813	1,617,453	1,707,051	10,703	-	11,657,020
Impaired	1,235,721	2,690,513	3,115,365	-	-	7,041,599
Neither past due nor impaired	371,807,467	390,526,624	37,657,159	587,717	9,235,597	809,814,564
Unearned income	(422,107)	(376,190)	1,763,804	(6,147)	-	959,360
Total	**380,942,894**	**394,458,400**	**44,243,379**	**592,273**	**9,235,597**	**829,472,543**

At 31 March 2024, there was $87,701 (31 March 2023: $85,813) of trade receivables that was neither past due or impaired. Interest income on impaired financial assets was $661,438 (31 March 2023: $726,598).

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Ageing of past due assets						
Past due 1-29 days	7,482,469	1,205,082	1,120,396	10,703	-	9,818,650
Past due 30-59 days	698,102	-	293,046	-	-	991,148
Past due 60-89 days	141,242	616,847	303,172	-	-	1,061,261
Past due 90 days+	1,235,721	2,486,037	3,105,802	-	-	6,827,560
Carrying amounts	**9,557,534**	**4,307,966**	**4,822,416**	**10,703**	**-**	**18,698,619**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Movements in impaired assets						
Opening balance	2,505,633	587,456	7,236,779	-	-	10,329,868
Assets classified as past due/impaired	961,169	2,273,647	973,633	-	-	4,208,449
Client repayments and recoveries	(161,095)	(28,195)	(4,269,050)	-	-	(4,458,340)
Loan balance written off	-	-	(267)	-	-	(267)
Assets no longer meeting definition	(2,069,986)	(142,395)	(825,730)	-	-	(3,038,111)
Closing balance	**1,235,721**	**2,690,513**	**3,115,365**	**-**	**-**	**7,041,599**

	31 March 2023 (restated)					
	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Asset quality						
Past due but not impaired	1,457,317	-	1,648,460	7,461	-	3,113,238
Impaired	2,505,633	587,456	7,236,779	-	-	10,329,868
Neither past due nor impaired	418,340,498	392,927,793	69,087,555	778,268	6,326,082	887,460,196
Total	**422,303,448**	**393,515,249**	**77,972,794**	**785,729**	**6,326,082**	**900,903,302**

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Ageing of past due assets						
Past due 1-29 days	781,393	-	2,308,828	7,461	-	3,097,682
Past due 30-59 days	2,480,399	-	999,238	-	-	3,479,637
Past due 60-89 days	265,509	142,395	2,470,212	-	-	2,878,116
Past due 90 days+	254,275	171,820	2,482,849	-	-	2,908,944
Carrying amounts	**3,781,576**	**314,215**	**8,261,127**	**7,461**	**-**	**12,364,379**

Notes to the Financial Statements

For the year ended 31 March 2024

	Residential	Commercial	Consumer	Personal	Overdrafts	Total
Movements in impaired assets						
Opening balance	67,612	-	67,541	-	-	135,153
Assets classified as past due/impaired	2,505,633	587,456	7,236,779	-	-	10,329,868
Client repayments and recoveries	(67,612)	-	(26,828)	-	-	(94,440)
Loan balance written off	-	-	-	-	-	-
Assets no longer meeting definition	-	-	(40,713)	-	-	(40,713)
Closing balance	**2,505,633**	**587,456**	**7,236,779**	**-**	**-**	**10,329,868**

8. Property, plant and equipment

Cost or fair value

	Freehold land and buildings	Computer equipment and hardware	Other assets	Total
Balance at 31 March 2022	**3,449,374**	**882,447**	**2,452,626**	**6,784,447**
Additions	23,740	232,198	441,049	696,987
Disposals	-	-	(107,022)	(107,022)
Balance at 31 March 2023	**3,473,114**	**1,114,645**	**2,786,653**	**7,374,412**
Revaluation	(163,114)	-	-	(163,114)
Additions	-	196,664	173,414	370,078
Disposals	-	(83,851)	(265,654)	(349,505)
Balance at 31 March 2024	**3,310,000**	**1,227,458**	**2,694,413**	**7,231,871**

Accumulated depreciation and impairment

	Freehold land and buildings	Computer equipment and hardware	Other assets	Total
Balance at 31 March 2022	(19,374)	(712,443)	(1,181,674)	(1,913,491)
Depreciation for the year	(38,732)	(123,622)	(285,494)	(447,848)
Accumulated depreciation on disposed assets	-	-	85,256	85,256
Balance at 31 March 2023	**(58,106)**	**(836,065)**	**(1,381,912)**	**(2,276,083)**
Depreciation for the year	(48,351)	(189,794)	(351,162)	(589,307)
Accumulated depreciation on disposed assets	-	83,743	237,413	321,156
Revaluation	106,457	-	-	106,457
Balance at 31 March 2024	**-**	**(942,116)**	**(1,495,661)**	**(2,437,777)**

Notes to the Financial Statements

For the year ended 31 March 2024

Net book value

	Freehold land and buildings	Computer equipment and hardware	Other assets	Total
As at 31 March 2022	3,430,000	170,004	1,270,952	4,870,956
As at 31 March 2023	**3,415,008**	**278,580**	**1,404,741**	**5,098,329**
As at 31 March 2024	**3,310,000**	**285,342**	**1,198,752**	**4,794,094**

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

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

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

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

	31/03/2024	31/03/2023
Freehold land	16,550	16,550
Buildings	2,192,301	2,235,936
	2,208,851	**2,252,486**

Notes to the Financial Statements

For the year ended 31 March 2024

9. Leases (NBS as a lessee)

	31/03/2024	31/03/2023
Right-of-use assets		
Cost		
Balance at beginning of the year	2,825,582	1,756,795
Additions from new leases	229,700	418,645
Additions from remeasurement of leases	232,010	998,106
Expired leases	-	(347,964)
Balance at end of the year	**3,287,292**	**2,825,582**
Accumulated depreciation		
Balance at beginning of the year	(906,141)	(1,012,100)
Charge for the year	(353,186)	(242,005)
Expired leases	-	347,964
Balance at end of the year	**(1,259,327)**	**(906,141)**
Net book value as at the end of the year	**2,027,965**	**1,919,441**

NBS leases eight properties under the criteria set in *NZ IFRS 16* (31 March 2023: seven). The average remaining lease term is six years. (31 March 2023: six years).

	31/03/2024	31/03/2023
Amounts recognised in the *Income Statement*		
Depreciation expense on right-of-use asset	353,186	242,005
Interest expense on lease liabilities	179,465	225,036
Expense relating to short-term leases	-	11,982
	532,651	**479,023**

	31/03/2024	31/03/2023
Lease liabilities		
Maturity analysis - undiscounted cash flows		
Year one	463,728	410,567
Year two	470,136	412,704
Year three	437,887	419,112
Year four	335,506	340,082
Year five	274,664	193,048
Onwards	941,265	820,884
Total	**2,923,186**	**2,596,397**
Less: unearned interest	**(708,543)**	**(540,535)**
Lease liabilities	**2,214,643**	**2,055,862**

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

Notes to the Financial Statements

For the year ended 31 March 2024

10. Intangible assets

Software	$ Cost
Balance at 31 March 2022	**1,202,594**
Additions	3,414
Balance at 31 March 2023	**1,206,008**
Additions	-
Balance at 31 March 2024	**1,206,008**

Accumulated amortisation	$ Cost
Balance at 31 March 2022	**(711,057)**
Amortisation for the year	(374,343)
Balance at 31 March 2023	**(1,085,400)**
Amortisation for the year	(105,670)
Balance at 31 March 2024	**(1,191,070)**

Net book value of software	$ Cost
At 1 April 2022	**491,537**
At 31 March 2023	**120,608**
As at 31 March 2024	**14,938**

Amortisation expense is included in the line item ‘amortisation and depreciation’ expense in the *Income Statement*. No impairment losses have been recognised against the gross carrying amount of intangible assets during the period ended 31 March 2024 (31 March 2023: $nil).

Notes to the Financial Statements

For the year ended 31 March 2024

11. Trade and other payables[1]

	31/03/2024	31/03/2023
Trade payables and accruals	3,168,199	807,465
Payroll tax and other statutory liabilities	759,817	407,655
	3,928,016	**1,215,120**

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

Trade payable and accruals includes consumer interest overcharged of $0.4M relating to the active consumer loan product, paid subsequent to year end.

[1] The provision for credit impairment - unrecognised loan commitments has been reclassified during 2024 from trade and other payables to other provisions to better reflect its nature. Comparatives have been reclassified accordingly.

12. Borrowings

	31/03/2024	31/03/2023
Call borrowings - depositors[1]	321,734,929	350,513,414
Term borrowings - depositors	700,775,253	672,382,546
Total borrowings	**1,022,510,182**	**1,022,895,960**

	31/03/2024		31/03/2023	
	Amount	Weighted average interest rate %	Amount	Weighted average interest rate %
Maturity analysis				
Borrowings at call	321,734,929	1.51	350,513,414	1.03
Between zero and one year	664,643,025	5.85	636,361,631	4.26
Between one and two years	24,616,645	5.32	26,385,982	4.05
Between two and five years	11,515,583	5.48	9,634,933	4.25
Total borrowings	**1,022,510,182**	**4.47**	**1,022,895,960**	**3.15**

All borrowings are unsecured.

[1] Deposit account borrowings in an overdraft position have been restated to “overdrafts - loans and receivables” to better reflect their nature. Comparatives have been restated accordingly.

13. Other provisions

	Note	31/03/2024	31/03/2023
Provision for credit impairment - unrecognised loan commitments[1]	6	114,069	806,206
Customer remediation		5,821,034	-
		5,935,103	**806,206**

Customer remediation includes provisions for expected payments to customers or former customers and remediation project costs. Details on the composition of new provisions during the year are included under the heading Customer remediation below.

At 31 March 2024 NBS has recognised a provision of $5,821,034 for estimated compliance and remediation costs. NBS has been undertaking a review of the *Credit Contracts and Consumer Finance Act 2003*. Provisions have been recognised where this review has identified areas that may result in the requirement for remediation activity and the costs can be reliability estimated.

Refer to note 6 for movement in the provision for credit impairment - unrecognised loan commitments.

[1] The provision for credit impairment - unrecognised loan commitments has been reclassified during 2024 from trade and other payables to other provisions to better reflect its nature. Comparatives have been reclassified accordingly.

Notes to the Financial Statements

For the year ended 31 March 2024

Customer remediation

	31/03/2024	31/03/2023
Customer remediation balance at 1 April	**-**	**-**
New and increased provisions during the year	6,434,674	-
Provisions used during the year	(613,640)	-
Unused amounts reversed during the year	-	-
Customer remediation balance at 31 March	**5,821,034**	**-**

The customer remediation provision consists of 3 key components.

The new and increased provisions during the year related to:

- Voluntary remediation payments in relation to *Credit Contracts and Consumer Finance Act (CCCFA)* and specifically adherence to the variation disclosures within this legislation of $2.9M,
- Consumer interest overcharge estimate of $1M (on the historic closed consumer loan product) and $0.9M estimate for related compensation[1] and
- $1.6M for remediation project costs relating to incremental costs to enact the remediation payments.

$0.6M of this provision was utilised during the period.

Voluntary remediation payments in relation to variation disclosure commenced in FY2024 and have been fully calculated subsequent to the end of the financial year and are being paid during FY2025. The provision was based on loan characteristics (loan amount and loan maturity term) and a remediation amount per combination of the loan characteristics.

The consumer interest overcharge provision, and the related compensation have been calculated utilising historic loan data and loan characteristics (loan amount, payment frequency) and applied assumptions around overcharge per loan to estimate the provision. Final calculation results and payments are expected to occur during FY2025 and may differ from these estimates.

The remediation project costs have been recorded based on management's best estimate of the incremental costs remaining to finalise these payments.

[1] The consumer interest overcharge of $0.4M relating to the active consumer loan product has been recorded in trade and other payables (see note 11) and paid subsequent to the end of the financial year.

14. Share capital

	31/03/2024 Number of shares	31/03/2024 Amount	31/03/2023 Number of shares	31/03/2023 Amount
As at 31 March beginning of the year	**50,121,000**	**50,121,000**	**50,268,500**	**50,268,500**
Issued during the year	900,000	900,000	5,250,000	5,250,000
Redeemed during the year	(1,400,000)	(1,400,000)	(5,397,500)	(5,397,500)
As at end of the year	**49,621,000**	**49,621,000**	**50,121,000**	**50,121,000**

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

Each perpetual preference share ('PPS') attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus of NBS. Dividends were paid at 7.25% for quarter one, 7.75% for quarters two and three, and 7.9% for quarter four (31 March 2023: 4.5% for quarter one, 5.25% for quarter two, 6.25% for quarter three, and 7.25% for quarter four). NBS can cancel the payment of a dividend by giving the holder a *Dividend Cancellation Notice*. NBS paid dividends of $2,744,613 for the year ending 31 March 2024 (31 March 2023: $2,100,888).

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

Notes to the Financial Statements

For the year ended 31 March 2024

15. Commitments and contingent liabilities

NBS has a commitment for loans approved but not yet paid at 31 March 2024 of $109,282,173 (31 March 2023: $146,403,095 – restated). This balance has been restated to include the undrawn balance of overdrafts.

NBS has issued bond guarantees at 31 March 2024 of $739,515 (31 March 2023: $2,816,685).

Contingent liabilities

During the year, NBS has made disclosures to its regulators after its own investigations into the variation disclosure requirements under the *Consumer Contracts and Consumer Finance Act 2003*, and the interest calculation methodologies on the consumer loan product. NBS has completed assessments and provisions have been recognised where the likelihood of loss is probable and can be reliably estimated (see note 13). There may be additional regulatory exposures. NBS is not aware of any current enforcement action that is currently being taken.

16. Asset and liability categorisation

	31/03/2024	31/03/2023
Financial assets[1]		
Financial assets at amortised cost (including cash and cash equivalents)	1,123,535,916	1,127,946,630
Financial liabilities[1, 2]		
Financial liabilities held at amortised cost	1,028,652,841	1,026,166,942

[1] Deposit account borrowings in an overdraft position have been restated to "overdrafts - loans and receivables" to better reflect their nature. Comparatives have been restated.

[2] The provision for credit impairment - unrecognised loan commitments has been reclassified during 2024 from trade and other payables to other provisions to better reflect its nature. Comparatives have been reclassified accordingly.

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

17. Fair value of financial assets and liabilities

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

Methodologies

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

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

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

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

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

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

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

Term deposits

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

Mortgages, personal loans, consumer lending and overdrafts

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

Borrowings

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

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

		31/03/2024		31/03/2023
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	304,019,102	304,019,102	160,805,654	160,805,654
Term deposits	-	-	71,711,738	71,711,738
Trade receivables	87,701	87,701	84,513	84,513
Mortgages	775,300,259	775,619,908	814,687,789	807,899,977
Personal loans	598,420	579,586	785,729	771,145
Consumer lending	44,338,267	43,080,972	79,103,702	76,028,837
Overdrafts[1]	9,235,597	9,235,597	6,326,082	6,326,082
Less provision for credit impairment	(10,043,430)	(10,043,430)	(5,558,577)	(5,558,577)
Total financial assets	**1,123,535,916**	**1,122,579,436**	**1,127,946,630**	**1,118,069,369**
Financial liabilities				
Trade and other payables[2]	3,928,016	3,928,016	1,215,120	1,215,120
Borrowings[1]	1,022,510,182	1,032,288,279	1,022,895,960	1,031,134,411
Total financial liabilities	**1,026,438,198**	**1,036,216,295**	**1,024,111,080**	**1,032,349,531**

[1] Deposit account borrowings in an overdraft position have been restated to “overdrafts - loans and receivables” to better reflect their nature. Comparatives have been restated.
[2] The provision for credit impairment - unrecognised loan commitments has been reclassified during 2024 from trade and other payables to other provisions to better reflect its nature. Comparatives have been reclassified accordingly.

18. Liquidity risk

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

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

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

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

Asset liquidity includes cash and cash equivalents, term deposits, trade receivables and loans and 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, based on historical analysis. Loans and receivables with maturity dates within 24 months are expected to run to term, but it is expected that a proportion of the advances in the over 24-month category could repay earlier due to changes in the borrowers’ personal circumstances, but on average would still remain in the over 24-month category.

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Monetary assets receivable matched against liabilities payable as at 31 March 2024

	On call and within three months	Within six months	Six months to one year	One to two years	Two to five years	Greater than five years	No maturity	Total
Monetary assets								
Cash and cash equivalents	304,019,102	-	-	-	-	-	-	**304,019,102**
Term deposits	-	-	-	-	-	-	-	**-**
Trade receivables	87,701	-	-	-	-	-	-	**87,701**
Mortgages and interest	46,269,788	33,156,096	53,856,571	67,370,817	177,154,109	775,657,514	61,053,190	**1,214,518,085**
Personal loans and interest	103,148	89,479	144,806	177,270	186,913	-	-	**701,616**
Consumer lending and interest	4,635,737	4,572,711	12,929,382	16,848,505	9,006,827	5,475	-	**47,998,637**
Overdrafts	-	-	-	-	-	-	9,235,597	**9,235,597**
Provision for credit impairment	-	-	-	-	-	-	(10,043,430)	**(10,043,430)**
Total monetary assets	**355,115,476**	**37,818,286**	**66,930,759**	**84,396,592**	**186,347,849**	**775,662,989**	**60,245,357**	**1,566,517,308**
Liabilities								
Trade and other payables	3,928,016	-	-	-	-	-	-	**3,928,016**
Lease liabilities	115,932	115,932	231,864	470,136	1,048,057	941,265	-	**2,923,186**
Borrowings and interest	604,510,858	201,757,350	194,281,986	26,600,069	13,025,258	-	-	**1,040,175,521**
Total monetary liabilities	**608,554,806**	**201,873,282**	**194,513,850**	**27,070,205**	**14,073,315**	**941,265**	**-**	**1,047,026,723**
Net monetary assets/(liabilities)	**(253,439,330)**	**(164,054,996)**	**(127,583,091)**	**57,326,387**	**172,274,534**	**774,721,724**	**60,245,357**	**519,490,585**
Unrecognised loan commitments	(109,282,173)	-	-	-	-	-	-	**(109,282,173)**
Net liquidity gap	**(362,721,503)**	**(164,054,996)**	**(127,583,091)**	**57,326,387**	**172,274,534**	**774,721,724**	**60,245,357**	**410,208,412**

Monetary assets receivable matched against liabilities payable as at 31 March 2023 (restated)

	On call and within three months	Within six months	Six months to one year	One to two years	Two to five years	Greater than five years	No maturity	Total
Monetary assets								
Cash and cash equivalents	160,805,654	-	-	-	-	-	-	**160,805,654**
Term deposits	28,959,398	32,956,854	9,795,486	-	-	-	-	**71,711,738**
Trade receivables	84,513	-	-	-	-	-	-	**84,513**
Mortgages and interest	41,221,885	32,521,356	57,679,379	66,451,255	159,211,702	716,767,963	72,226,493	**1,146,080,033**
Personal loans and interest	141,657	127,045	205,577	252,001	163,609	-	-	**889,889**
Consumer lending and interest	12,500,922	9,508,125	16,207,762	21,283,409	26,493,615	82,714	-	**86,076,547**
Overdrafts[1]	-	-	-	-	-	-	6,326,082	**6,326,082**
Provision for credit impairment	-	-	-	-	-	-	(5,558,577)	**(5,558,577)**
Total monetary assets	**243,714,029**	**75,113,380**	**83,888,204**	**87,986,665**	**185,868,926**	**716,850,677**	**72,993,998**	**1,466,415,879**
Liabilities								
Trade and other payables[2]	2,021,326	-	-	-	-	-	-	**2,021,326**
Lease liabilities	102,642	102,642	205,283	412,704	952,242	820,884	-	**2,596,397**
Borrowings and interest[1]	613,169,428	127,897,738	257,848,153	27,599,649	10,819,337	-	-	**1,037,334,305**
Total monetary liabilities	**615,293,396**	**128,000,380**	**258,053,436**	**28,012,353**	**11,771,579**	**820,884**	**-**	**1,041,952,028**
Net monetary assets/(liabilities)	**(371,579,367)**	**(52,887,000)**	**(174,165,232)**	**59,974,312**	**174,097,347**	**716,029,793**	**72,993,998**	**424,463,851**
Unrecognised loan commitments[3]	(146,403,095)	-	-	-	-	-	-	**(146,403,095)**
Net liquidity gap	**(517,982,462)**	**(52,887,000)**	**(174,165,232)**	**59,974,312**	**174,097,347**	**716,029,793**	**72,993,998**	**278,060,756**

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

[1] Deposit account borrowings in an overdraft position have been restated to "overdrafts - loans and receivables" to better reflect their nature. Comparatives have been restated.
[2] The provision for credit impairment - unrecognised loan commitments has been reclassified during 2024 from trade and other payables to other provisions to better reflect its nature. Comparatives have been reclassified accordingly.
[3] $134,609,689 was disclosed as unrecognised loan commitments in the prior year. This balance has been restated to include the undrawn balance of overdrafts.

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19. Credit risk

The nature of NBS' activities as a financial intermediary necessitates NBS dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that NBS could incur as a result of the counterparty to a contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements and any potential recoveries. The maximum amount of credit exposure is limited to the carrying amount of the financial assets disclosed in the *Statement of Financial Position* plus loan commitments. Credit risk incorporates the risks associated with us lending to clients who could be impacted by climate change or by changes to laws, regulations or other policies adopted by government's or regulatory authorities. NBS is a provider of loans that could be impacted in the future by climate change, for example if sea level rose and certain properties were unable to get insurance or were impacted by climate change. As at year end, there is considered to be no material risk of loss due to climate related risk on our client exposures in addition to amounts already provided for. NBS believes that climate change represents an implicit element in the application of methodologies and models used to perform estimates in the valuation and/or measurement of certain accounting items. NBS has provisioned a model overlay in the expected credit loss model to reflect climate risk.

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

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

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

Concentrations of credit risk to individual counterparties and bank counterparties

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

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

	31/03/2024		31/03/2023	
% of equity	Bank	Other	Bank	Other
10-19	-	-	-	1
20-29	-	2	-	1
30-39	1	-	-	-
40-49	-	-	-	-
50-59	-	-	1	-
60-69	1	-	1	-
70-79	1	-	-	-
80-89	-	-	1	-
90+	1	-	-	-

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

Credit risk profile by sector[1]	**31/03/2024**	**31/03/2023**
Residential	521,694,456	564,428,817
Commercial	202,703,170	190,724,207
Agriculture	63,162,049	68,689,282
Personal lending	3,681,744	6,572,042
Consumer finance	38,231,124	70,488,954
	829,472,543	**900,903,302**

Information about major clients
At 31 March 2024, there was no one client that individually comprised 10% or more of the total revenue (31 March 2023: $nil).

[1] Deposit account borrowings in an overdraft position have been restated to "overdrafts - loans and receivables" to better reflect their nature. Comparatives have been restated.

20. Market risk

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

NBS' exposure to market risk is managed operationally by treasury. Market risk is managed within a framework of policy limits, within the *Treasury Policy*. An external treasury advisor independently reports on this to the board.

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

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

Interest rates on term borrowings are fixed until their respective maturity dates. Approximately 96% of the borrowings can be repriced or mature within 12 months (31 March 2023: 96%).

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

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Interest rate repricing schedule as at 31 March 2024

	Effective interest rate %	On call and within three months	Within six months	Six months to one year	One to two years	Greater than two years	Non interest sensitive assets	Total carrying amount
Monetary assets								
Cash and cash equivalents	5.06%	301,641,345	-	-	-	-	2,377,757	**304,019,102**
Term deposits	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	87,701	**87,701**
Mortgage advances	7.66%	262,835,660	107,331,688	211,907,413	175,328,349	18,796,482	(899,333)	**775,300,259**
Personal loans	11.12%	-	-	-	-	-	598,420	**598,420**
Consumer lending	10.48%	5,661,127	-	-	-	-	38,677,140	**44,338,267**
Overdrafts	10.66%	9,235,597	-	-	-	-	-	**9,235,597**
Provision for credit impairment	-	-	-	-	-	-	(10,043,430)	**(10,043,430)**
Total monetary assets		**579,373,729**	**107,331,688**	**211,907,413**	**175,328,349**	**18,796,482**	**30,798,255**	**1,123,535,916**
Liabilities								
Borrowings	4.47%	321,734,929	478,541,297	186,101,728	24,616,645	11,515,583	-	**1,022,510,182**
Trade and other payables	-	-	-	-	-	-	3,928,016	**3,928,016**
Total monetary liabilities		**321,734,929**	**458,541,297**	**186,101,728**	**24,616,645**	**11,515,583**	**3,928,016**	**1,026,438,198**
Net monetary assets/(liabilities)		**257,638,800**	**(371,209,609)**	**25,805,685**	**150,711,704**	**7,280,899**	**26,870,239**	**97,097,718**
Unrecognised loan commitments	7.08%	(109,282,173)	-	-	-	-	-	(109,282,173)
Interest sensitivity gap		**148,356,627**	**(371,209,609)**	**25,805,685**	**150,711,704**	**7,280,899**	**26,870,239**	**(12,184,455)**

Interest rate repricing schedule as at 31 March 2023 (restated)

	Effective interest rate %	On call and within three months	Within six months	Six months to one year	One to two years	Greater than two years	Non interest sensitive assets	Total carrying amount
Monetary assets								
Cash and cash equivalents	4.07%	156,402,222	-	-	-	-	4,403,432	**160,805,654**
Term deposits	2.91%	28,959,398	32,956,854	9,795,486	-	-	-	**71,711,738**
Trade receivables	-	-	-	-	-	-	84,513	**84,513**
Mortgage advances	5.41%	250,806,013	107,322,949	243,574,141	194,763,342	4,114,326	14,107,018	**814,687,789**
Personal loans	10.94%	-	-	-	-	-	785,729	**785,729**
Consumer lending	10.14%	2,439,580	-	-	-	-	76,664,122	**79,103,702**
Overdrafts[1]	10.04%	6,326,082	-	-	-	-	-	**6,326,082**
Provision for credit impairment	-	-	-	-	-	-	(5,558,577)	**(5,558,577)**
Total monetary assets		**444,933,295**	**140,279,803**	**253,369,627**	**194,763,342**	**4,114,326**	**90,486,237**	**1,127,946,630**
Liabilities								
Borrowings[1]	3.11%	602,987,173	128,734,709	248,827,081	26,385,982	9,634,933	-	**1,016,569,878**
Trade and other payables[2]		-	-	-	-	-	1,215,120	**1,215,120**
Total monetary liabilities		**602,987,173**	**128,734,709**	**248,827,081**	**26,385,982**	**9,634,933**	**1,215,120**	**1,017,784,998**
Net monetary assets/liabilities		**(158,053,878)**	**11,545,094**	**4,542,546**	**168,377,360**	**(5,520,607)**	**89,271,117**	**110,161,632**
Unrecognised loan commitments[3]	5.84%	(146,403,095)	-	-	-	-	-	(146,403,095)
Interest sensitivity gap		**(304,456,973)**	**11,545,094**	**4,542,546**	**168,377,360**	**(5,520,607)**	**89,271,117**	**(36,241,463)**

[1] Deposit account borrowings in an overdraft position have been restated to "overdrafts - loans and receivables" to better reflect their nature. Comparatives have been restated.
[2] The provision for credit impairment - unrecognised loan commitments has been reclassified during 2024 from trade and other payables to other provisions to better reflect its nature. Comparatives have been reclassified accordingly.
[3] $134,609,689 was disclosed as unrecognised loan commitments in the prior year. This balance has been restated to include the undrawn balance of overdrafts.

Sensitivity analysis

In managing interest rate risk NBS aims to reduce the impact of short-term fluctuations. Over the long-term, however, permanent changes in interest rates will have an impact on surplus. At 31 March 2024 it is estimated that a general increase of one percentage point in interest rates would reduce NBS' deficit before income tax and increase equity by $30,694 (31 March 2023: $630,934). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, overdrafts, investments, bank deposits and consumer lending and borrowings.

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

21. Currency risk

NBS is not exposed to currency risk.

22. Operational risk

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

23. Capital adequacy

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

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

As at balance date all perpetual non-cumulative preference shares have full voting rights. As such their contribution towards NBS' capital is unrestricted. On this basis the risk weighted capital (RWC) ratio as at 31 March 2024 is 12.29% (31 March 2023 13.18%), as calculated under the *Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010* and the NBS *Trust Deed*.

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

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

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

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

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For the year ended 31 March 2024

24. Related parties

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

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

(a) Loans and advances to related parties

	31/03/2024	31/03/2023
Loans and advances outstanding at beginning of year	6,221,839	3,310,996
Net loans issued/(repaid) during the year or no longer categorised as related	(2,687,398)	2,910,843
Loans and advances outstanding at end of year	**3,534,441**	**6,221,839**

No specific provisions have been recognised in respect of loans given to related parties. There were no debts with any of the above parties written off or forgiven during the year ended 31 March 2024 (March 2023: $nil). All loans made to related parties have been made in accordance with NBS' lending policies. The above transactions (including interest rates and collateral) are conducted on an arm's length basis in the normal course of business and on market terms and conditions.

Amounts repayable to NBS that are secured by residential property total $2,535,331 (31 March 2023: $2,118,280) and carry interest rates of 3.24% to 7.5% per annum, charged on the outstanding loan balances (31 March 2023: 3.24% to 6.29%).

Amounts repayable to NBS that have other security (a combination of residential/commercial property, and commercial property and GSA) total $999,110 (31 March 2023: $4,103,559) and carry interest rates of 7.09% to 8.84% per annum, charged on the outstanding loan balances (March 2023: 4.24% to 7.85%).

(b) Deposits from related parties

	31/03/2024	31/03/2023
Deposits at beginning of year	5,746,842	977,268
Net deposits received (withdrawals made) during the year or no longer categorised as related	(4,765,354)	4,769,574
Deposits at end of year	**981,488**	**5,746,842**

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

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

	31/03/2024	31/03/2023
Salaries and short-term employee benefits	1,963,001	1,450,270
Post-employment benefits	76,738	58,010
Total compensation of key management (excluding directors)	**2,039,739**	**1,508,280**

(d) Directors fees

	31/03/2024	31/03/2023
Amounts received, or due and receivable by directors	**446,554**	**387,000**

(e) Other related party transactions

During the year ending 31 March 2024, NBS entered into transactions with related parties involving: investment or return of share capital $nil (31 March 2023: $647,500 returned), motor vehicle transactions $167,162 (31 March 2023: $254,155), insurance services $nil (31 March 2023 $237,473) and human resource consultancy/provision of temps $69,666 (31 March 2023: $127,814).

(f) Holdings of perpetual preference shares

		31/03/2024		31/03/2023
	Number of shares	Amount	Number of shares	Amount
Related parties held the following PPS	600,000	600,000	600,000	600,000

25. Personnel costs

Personnel expenses disclosed in the *Income Statement* includes compulsory contributions to employees' KiwiSaver funds. During the year ending 31 March 2024, NBS made contributions of $194,408 (31 March 2023: $152,385).

26. Subsequent events

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

Notes

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