



## Quarterly Ongoing Disclosure

As at 30 September 2016

### 1. Key Ratios

#### CAPITAL

Capital Ratio <sup>1</sup>	9.51%
Minimum capital ratio under the trust deed	For as long as NBS has a credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 8%. If NBS has no credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 10%.
Minimum capital ratio that must be set out in the trust deed under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	For as long as NBS has a credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 8%. If NBS has no credit rating from an approved rating agency, NBS shall ensure the capital ratio is not less than 10%.

The capital ratio is a measure of the extent to which Nelson Building Society (NBS) is able to absorb losses without becoming insolvent. The lower the capital ratio, the fewer financial assets NBS has to absorb unexpected losses arising out of its business activities.

<sup>1</sup> An exemption notice, number 2011/256 dated 21 July 2011, has been approved by the Reserve Bank of New Zealand exempting NBS from regulation 10(1) of the Regulations and allowing NBS's capital to be calculated so that its perpetual non-cumulative preference shares without full voting rights may constitute up to and not more than 50% of NBS's capital.

A Deposit Takers (Nelson Building Society) exemption amendment notice 2015 was issued by the Reserve Bank of New Zealand on the 30 October 2015 extending the original amendment notice from the 30 November 2016 to 1 November 2025.

## RELATED PARTIES

Related party ratio	8.16%
Maximum aggregate exposure of NBS to related parties under the Trust Deed	15%

Related party exposures are financial exposures that NBS has to related parties. A related party is an entity that is related to NBS through common control or some other connection that may give the party influence over NBS (or NBS over the related party).

## LIQUIDITY

Liquidity for proceeding three months	335%	293%	284%
Minimum liquidity coverage under the trust deed	<p>Total liquid assets will not be less than 115% of the deficit arising from:</p> <ul style="list-style-type: none"><li>i) aggregate amount receivable by NBS in cash within the next three months, less</li><li>ii) aggregate amount payable by NBS in cash by way of:<ul style="list-style-type: none"><li>a) 40% of debt securities payable during the next three months</li><li>b) 40% of committed undrawn lending facilities</li></ul></li></ul>		

Liquidity requirements help to ensure that NBS has sufficient realisable assets on hand to pay its debts as they become due in the ordinary course of business. Failure to comply with liquidity requirements may mean that NBS is unable to repay depositors on time, and may indicate other financial problems in its business.

## 2. Selected Financial Information as at and for the 3 months ended 30 September 2016

Total assets*	569,413,195
Total intangible assets*	524,646
Total tangible assets*	568,888,549
Total liabilities*	530,334,206
Net profit after tax*	878,347
Net cash flows from operating activities*	(5,591,804)
Cash and cash equivalents*	54,551,773
Regulatory capital**	38,554,343

\* As determined in accordance with GAAP

\*\* As calculated in accordance with the 2010 Regulations

### 3. Ratio Calculations as at 30 September 2016

#### 1. CAPITAL COMPLIANCE

Capital			(\$M)	
Retained earnings			18.830	
Fully paid perpetual preference shares			19.123	
Reserves			1.126	
<b>Total capital</b>			<b>39.079</b>	
Regulatory deductions from capital				
Intangibles			0.525	
<b>Net regulatory capital</b>			<b>(E) 38.554</b>	
Exposures			(\$M)	(\$M)
	LVR	Risk Weighting	Value	Risk Weighted Exposures
<b>Agricultural/farming</b>				
Secured by 1st mortgage over rural land & buildings	<=70%	100%	47.742	47.742
Secured by 1st mortgage over rural land & buildings	>=70% to <=100%	150%	1.446	2.169
Secured by a PPSR charge over rural "qualifying movable machinery"	<=70%	100%	1.960	1.960
			<b>51.148</b>	<b>51.871</b>
<b>Property Development</b>				
Secured by 1st mortgage over land & buildings	<=60%	150%	3.632	5.448
			<b>3.632</b>	<b>5.448</b>
<b>Other property (primary/commercial/industrial/retail property)</b>				
Secured by 1st mortgage over land & buildings	<=70%	100%	51.051	51.051
Secured by 1st mortgage over land & buildings	>=70% to <=100%	150%	0.433	0.650
			<b>51.484</b>	<b>51.701</b>
<b>Residential mortgages (owner occupied and investment)</b>				
Secured by 1st mortgage over land & buildings	<=70%	35%	199.372	69.780
Secured by 1st mortgage over land & buildings	>=70% to <=80%	50%	86.687	43.344
Secured by 1st mortgage over land & buildings	>=80% to <=90%	100%	0.668	0.668
Mortgage insured by Housing New Zealand Corp	Any	20%	18.330	3.666
			<b>305.057</b>	<b>117.458</b>
<b>Consumer loans - to individuals with loan balances less than \$40,000</b>				
Secured by a PPSR charge over a motor vehicle/boat	Any	100%	22.894	22.894
Secured by a PPSR charge over any other asset	Any	100%	1.620	1.620
Unsecured	Any	150%	0.968	1.452
			<b>25.482</b>	<b>25.966</b>
<b>All other loans</b>				
Secured by a PPSR charge over a motor vehicle/boat	<=70%	100%	2.476	2.476
Secured by a PPSR charge over a motor vehicle/boat	>70%	150%	7.021	10.532
Secured by a PPSR charge over an asset not a motor vehicle/boat	Any	150%	14.650	21.975
			<b>24.147</b>	<b>34.983</b>
<b>Total net loan book (after provisions, deductions and deposit set offs)</b>			<b>460.950</b>	<b>287.426</b>
Value of qualifying deposits used as set off against loans			4.044	
Cash		0%	1.961	-
New Zealand registered bank deposits and securities		20%	96.089	19.218
Trade and receivables		350%	0.026	0.091
Fixed Assets		350%	3.114	10.899
Intangibles		0%	0.525	-
All other assets		350%	2.704	9.464
<b>Total assets</b>			<b>(A) 569.413</b>	<b>(B) 327.098</b>
<b>Market and operational risk requirements</b>		<b>(A+B)/2 x 0.175</b>		<b>(C) 78.445</b>
<b>Total Exposures</b>		<b>B+C</b>		<b>(D) 405.542</b>
<b>Capital ratio as at 30 September 2016</b>		<b>E/D</b>		<b>9.51%</b>

## 2. RELATED PARTY EXPOSURE

NBS's aggregate exposure to related parties as a percentage of capital must not exceed 15%.

Capital	(A)	38,554,343
<b>NBS related party exposure</b>		
Related party loans	(B)	3,147,661
Related party exposure % of capital	<b>C=B/A</b>	8.16%

## 3. LIQUIDITY COMPLIANCE

		October 2016	November 2016	December 2016
<b>Total liquid assets</b>	<b>(A)</b>	<b>96,549,959</b>	<b>96,549,959</b>	<b>96,549,959</b>
<b>PLUS:</b>				
All expected inflows due within each month	(B)	4,128,155	2,802,727	3,021,494
<b>LESS:</b>				
Principal of the securities payable during the next three months	(C)	31,689,006	37,330,006	40,174,313
<b>40% of term deposits due within each month</b>	<b>D=C x 40%</b>	<b>12,675,602</b>	<b>14,932,002</b>	<b>16,069,725</b>
<b>Committed undrawn lending facilities</b>				
Flexible facilities	(E)	17,662,753	17,662,753	17,662,753
Loans approved but undrawn	(F)	23,588,320	23,588,320	23,588,320
	<b>G=E+F</b>	<b>41,251,073</b>	<b>41,251,073</b>	<b>41,251,073</b>
<b>40% of committed undrawn lending facilities</b>	<b>H=G x 40%</b>	<b>16,500,429</b>	<b>16,500,429</b>	<b>16,500,429</b>
Mismatch dollar amount	<b>I=B-D-H</b>	25,047,877	28,629,705	29,548,660
115%	<b>J=I x 115%</b>	28,805,058	32,924,160	33,980,959
Available liquidity	<b>K=A-J</b>	67,744,901	63,625,799	62,569,000
Liquidity as a % of deficit	<b>L=A/J</b>	335%	293%	284%

### Basis of preparation:

The ratio are calculated in accordance with the Regulations. The calculations are based on unaudited book values as at 30 September 2016.