

**BANK OF NEW ZEALAND OFFICERS'
PROVIDENT ASSOCIATION**

ANNUAL REPORT

**FOR THE YEAR ENDED
31 OCTOBER 2013**

This report has been prepared for reading primarily as an electronic document.

YEAR IN SUMMARY

The Board of Management (Board or BOM) is pleased to present the 126th Annual Report.

Investments

Earnings

For the year ended 31 October 2013, aggregate earning rates (after tax and expenses) for member choice investment options were:

| Option | Net Earning rates | Option | Net Earning rates |
|--------------|-------------------|-------------------|-------------------|
| Cash | 2.28% | Cash 17.5 | 2.61% |
| Conservative | 5.71% | Conservative 17.5 | 5.92% |
| Balanced | 10.75% | Balanced 17.5 | 11.00% |
| Growth | 17.78% | Growth 17.5 | 18.17% |

The Association is registered as a Portfolio Investment Entity (PIE), with earnings allocated to members taxed at members' nominated prescribed investor rate (PIR). The 17.5 options denote a PIR rate (and include any members with a PIR of 10.5%). The default rate is 28%.

Statement of Investment Policy & Objectives (SIPO)

The SIPO was amended during March to record a change to the Scheme Rules. The current version is reproduced on page 24.

Investment Management

There were no changes to the investment managers during the year, although OnePath was renamed ANZ Investments and TOWER Asset Management was purchased by Fisher Funds Management.

Switching options

Two switching opportunities were offered on 1 December and 1 May, or nearest business day. On both occasions between 2 and 3% of members by number elected to switch among member choice investment options.

Scheme Membership

Division 2 (a cash accumulation scheme) membership was 2956 on 31 October 2013. This represents a modest increase on the previous year (2900).

Website

The Scheme website (www.bnzopa.co.nz) was upgraded early in October to improve security for the Member Only section and to provide a more robust server platform.

| <i>Contents</i> | <i>Page</i> | | | | |
|---------------------------------|-------------|---------------------------------------|----|-------------------------------------|----|
| Year in summary | 2 | Rule amendments | 15 | Financial Performance | 19 |
| Investment performance | 4 | Members of the Board of Management | 16 | Abridged Financial Statements | 20 |
| Investments – review of markets | 11 | Advisers to the Board of Management | 17 | Independent Auditor’s Report on the | |
| Scheme surplus | 13 | Board of Management committees | 17 | Abridged Financial Statements | 23 |
| Actuarial declaration | 13 | Legal Proceedings / Arbitration | 17 | Statement of Investment Policy | |
| Prospectus | 13 | Statement by the Board of Management | 18 | & Objectives | 24 |
| Membership summary | 14 | Abridged Financial Statements & Notes | 19 | Further information | 27 |

Board of Management

Martin Philipsen resigned from the Board in April. The directors of the Bank appointed Chris Reid as a replacement BOM member and as its Chairperson.

Martin was appointed Chairperson in May 2007 and, at near 6 years, his term as Chairperson was the longest since Division 2 was formed in 1990. Highlights of his tenure include negotiation with the Bank of the current 6% employer contribution rate (inclusive of ESCT) for members which applies for the 3 years until 31 October 2014, and the development that allows members to retain their benefit entitlement in the Scheme after leaving employment of the Bank.

Glenn Patrick also resigned from the Board in April 2013. Andrew Thorburn, Chief Executive and Managing Director of the Bank, has appointed Graeme Liddell, Head of Markets, to replace Glenn with effect from 3 December 2013.

Matt Eaden was re-elected unopposed, as a South Island based elected BOM member, for a third term expiring July 2016.

Compliance

Rule Changes

The Scheme Rules were amended on 7 March 2013 to add Rule 2.8.5 to the Division 2 Section. The amendment allows members to retain their benefit entitlement in the Scheme after leaving the employment of the Bank, subject to certain conditions.

Investment Statement

The Investment Statement was updated on each of 7 December 2012, 7 March, 7 June, and 20 September 2013.

Accounting

The Financial Statements included within this Annual Report are in 'abridged form' and are in compliance with FRS43 Summary Financial Statements. The full Financial Statements are available free of charge from the Scheme Secretariat upon request.

There were no significant changes to the presentation of the Financial Statements for the year ended 31 October 2013.

Taxation

There were no changes to the taxation of the Scheme during the year.

YEAR IN MORE DETAIL

The pages that follow expand on the information provided in 'The Year in Summary'.

DISCLAIMER

The information contained in this Annual Report provides general information only and should not be relied upon in making an investment decision. In particular, the information is not personalised financial advice for the purposes of the Financial Advisers Act 2008.

INVESTMENT PERFORMANCE

Member Choice Investment Option Earnings Rates

Warning - past performance should not be read as an indicator of future returns

Earnings Rates by option for the year

The next set of tables show the allocation to income and growth assets for each option and the respective contributions to the gross return. Income assets comprise cash and fixed interest sectors; Growth assets comprise equities and property sectors.

| Cash | Neutral Asset allocation | Contribution to Actual return |
|-------------------------|--------------------------|-------------------------------|
| Gross Investment Return | 100% | 3.51% |
| MER (Fees & expenses) | | (0.36) |
| Tax (at PIR of 28%) | | (0.87) |
| Net earning rate | | 2.28% |

| Conservative | Neutral Asset allocation | Contribution to Actual return |
|-----------------------------|--------------------------|-------------------------------|
| Income Assets | 80% | 1.60% |
| Growth Assets | 20% | 5.26% |
| Total – Gross Invest Return | 100% | 6.86% |
| MER (Fees & expenses) | | (0.60)% |
| Tax (at PIR of 28%) | | (0.55)% |
| Net earning rate | | 5.71% |

| Balanced | Neutral Asset allocation | Contribution to Actual return |
|-----------------------------|--------------------------|-------------------------------|
| Income Assets | 55% | 1.79% |
| Growth Assets | 45% | 10.37% |
| Total – Gross Invest Return | 100% | 12.16% |
| MER (Fees & expenses) | | (0.82)% |
| Tax (at PIR of 28%) | | (0.58)% |
| Net earning rate | | 10.75% |

| Growth | Neutral Asset allocation | Contribution to Actual return |
|-----------------------------|--------------------------|-------------------------------|
| Income Assets | 25% | 0.65% |
| Growth Assets | 75% | 18.85% |
| Total – Gross Invest Return | 100% | 19.50% |
| MER (Fees & expenses) | | (0.95)% |
| Tax (at PIR of 28%) | | (0.77)% |
| Net earning rate | | 17.78% |

For the 2013 year growth assets were the dominant source of return.
In 2012 income assets contributed more significantly.

Earnings Rates by month

The first two columns under each investment option in the tables that follow show the earning rate allocated to members for a month and a year to date period.

The third column under each option gives an aggregate rate for members who joined during the year. Read it by referencing the line that matches the month of joining. For example, joining the Conservative option during January gave a 4.27% earning rate for the January - October period.

| % | Cash option | | | Conservative | | | Balanced | | | Growth | | |
|---------------|-------------|----------|----------------|--------------|----------|----------------|----------|----------|----------------|--------|----------|----------------|
| | Mth | YTD Aggr | Part year Aggr | Mth | YTD Aggr | Part year Aggr | Mth | YTD Aggr | Part year Aggr | Mth | YTD Aggr | Part year Aggr |
| November 2012 | 0.21 | 0.21 | 2.28 | 0.68 | 0.68 | 5.71 | 1.00 | 1.00 | 10.75 | 1.25 | 1.25 | 17.78 |
| December | 0.19 | 0.40 | 2.07 | 0.69 | 1.37 | 4.99 | 1.28 | 2.29 | 9.65 | 1.90 | 3.17 | 16.32 |
| January 2013 | 0.19 | 0.59 | 1.88 | 0.93 | 2.32 | 4.27 | 1.95 | 4.29 | 8.27 | 3.22 | 6.50 | 14.15 |
| February | 0.18 | 0.77 | 1.68 | 0.55 | 2.88 | 3.31 | 0.78 | 5.10 | 6.20 | 0.92 | 7.48 | 10.59 |
| March | 0.22 | 0.99 | 1.50 | 0.59 | 3.49 | 2.74 | 0.98 | 6.13 | 5.37 | 1.31 | 8.88 | 9.58 |
| April | 0.18 | 1.18 | 1.28 | 0.97 | 4.49 | 2.14 | 1.59 | 7.82 | 4.35 | 1.94 | 11.00 | 8.17 |
| May | 0.18 | 1.36 | 1.09 | (0.07) | 4.42 | 2.21 | 0.56 | 8.42 | 2.72 | 1.98 | 13.19 | 6.11 |
| June | 0.18 | 1.54 | 0.91 | (1.03) | 3.34 | 1.23 | (1.50) | 6.80 | 2.15 | (1.36) | 11.65 | 4.05 |
| July | 0.19 | 1.73 | 0.73 | 0.86 | 4.23 | 2.28 | 1.48 | 8.38 | 3.70 | 2.15 | 14.05 | 5.48 |
| August | 0.19 | 1.93 | 0.54 | (0.23) | 3.99 | 1.41 | (0.70) | 7.62 | 2.19 | (0.83) | 13.11 | 3.26 |
| September | 0.18 | 2.11 | 0.35 | 0.63 | 4.65 | 1.65 | 1.03 | 8.73 | 2.91 | 1.35 | 14.64 | 4.13 |
| October | 0.17 | 2.28 | 0.17 | 1.01 | 5.71 | 1.01 | 1.86 | 10.75 | 1.86 | 2.74 | 17.78 | 2.74 |

| % | Cash 17.5 option | | | Conservative 17.5 | | | Balanced 17.5 | | | Growth 17.5 | | |
|---------------|------------------|----------|----------------|-------------------|----------|----------------|---------------|----------|----------------|-------------|----------|----------------|
| | Mth | YTD Aggr | Part year Aggr | Mth | YTD Aggr | Part year Aggr | Mth | YTD Aggr | Part year Aggr | Mth | YTD Aggr | Part year Aggr |
| November 2012 | 0.24 | 0.24 | 2.61 | 0.73 | 0.73 | 5.92 | 1.06 | 1.06 | 11.00 | 1.30 | 1.30 | 18.17 |
| December | 0.21 | 0.45 | 2.35 | 0.72 | 1.46 | 5.16 | 1.31 | 2.38 | 9.43 | 1.93 | 3.26 | 16.66 |
| January 2013 | 0.22 | 0.67 | 2.14 | 0.94 | 2.41 | 4.41 | 1.97 | 4.40 | 8.41 | 3.26 | 6.62 | 14.45 |
| February | 0.21 | 0.88 | 1.92 | 0.60 | 3.02 | 3.44 | 0.83 | 5.27 | 6.31 | 0.95 | 7.63 | 10.84 |
| March | 0.25 | 1.14 | 1.70 | 0.64 | 3.68 | 2.82 | 1.06 | 6.38 | 5.44 | 1.40 | 9.14 | 9.80 |
| April | 0.21 | 1.35 | 1.45 | 1.07 | 4.79 | 2.17 | 1.70 | 8.19 | 4.33 | 2.02 | 11.35 | 8.28 |
| May | 0.21 | 1.56 | 1.24 | (0.20) | 4.58 | 2.24 | 0.39 | 8.61 | 2.59 | 1.89 | 13.45 | 6.14 |
| June | 0.21 | 1.77 | 1.02 | (1.13) | 3.40 | 1.29 | (1.64) | 6.83 | 2.19 | (1.42) | 11.84 | 4.17 |
| July | 0.21 | 1.99 | 0.81 | 0.89 | 4.32 | 2.45 | 1.54 | 8.48 | 3.90 | 2.19 | 14.29 | 5.67 |
| August | 0.21 | 2.20 | 0.60 | (0.24) | 4.07 | 1.54 | (0.73) | 7.69 | 2.32 | (0.83) | 13.34 | 3.41 |
| September | 0.20 | 2.41 | 0.39 | 0.70 | 4.90 | 1.79 | 1.15 | 8.92 | 3.07 | 1.47 | 15.01 | 4.27 |
| October | 0.19 | 2.61 | 0.19 | 1.08 | 5.92 | 1.08 | 1.90 | 11.00 | 1.90 | 2.76 | 18.17 | 2.76 |

Earnings History

The Scheme SIPO (Statement of Investment Policies and Objectives) sets expected earning rates for each member choice investment option. Expected earnings are long term averages, however, and are likely to vary from year to year, especially for options with higher risk profiles.

Cash

The Cash option is expected to perform closely in line with the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark), after tax, fund expenses and fees. The 2013 result was above the expected level because of investments in retail term deposits.

Conservative

The Conservative option is expected to outperform the ANZ 90 Day Bank Bill Index by 0.75% after tax, fund expenses and fees over a long term. This option was introduced on 1 August 2012.

Balanced

The Balanced option is expected to outperform the ANZ 90 Day Bank Bill Index by 1.5% after tax, fund expenses and fees over a long term. For the period 2004 to 2013, the average result was above expectations notwithstanding extreme negative returns in 2008.

Growth

The Growth option is expected to outperform the ANZ 90 Day Bank Bill Index by 2.5% after tax, fund expenses and fees over a long term. For the period 2004 to 2013, the average result was below expectations because of the extreme negative returns in 2008 from Equities and Property.

Actual earning rates since the options were introduced were:

| Year | 90 day Bill index Gross less expenses and tax* | Cash Net | Conservative Net | Balanced Net | Growth Net |
|----------------------|--|-------------|---------------------|-----------------|---------------|
| 2004 | 3.64% | 4.41% | - | 6.22% | 3.79% |
| 2005 | 4.36% | 4.95% | - | 8.85% | 7.75% |
| 2006 | 4.88% | 4.90% | - | 14.45% | 20.77% |
| 2007 | 5.42% | 5.03% | - | 7.20% | 10.20% |
| 2008 | 5.99% | 6.21% | - | (20.42)% | (31.53)% |
| 2009 | 2.60% | 3.13% | - | 7.94% | 4.36% |
| 2010 | 1.84% | 2.19% | - | 8.15% | 6.83% |
| 2011 | 1.84% | 2.16% | - | 2.04% | 0.24% |
| 2012 | 1.68% | 2.25% | 2.49% | 8.59% | 7.94% |
| 2013 | 1.66% | 2.28% | 5.71% | 10.75% | 17.78% |
| Average (rounded) | 3.40% | 3.75% | n/a | 5.4% | 4.8% |
| Average last 5 years | 1.92% | 2.40% | n/a | 7.5% | 7.4% |
| Average Target | | 3.4% | 3.9% | 4.6% | 5.5% |

* The Index column contains earnings after expenses and tax for fair comparison with the actual earning rates

The asset allocation mix within each of the options changed between 2004 and 2007 meaning a direct year on year comparison cannot be made for all years.

Earnings - averages compared to SIPO expectations

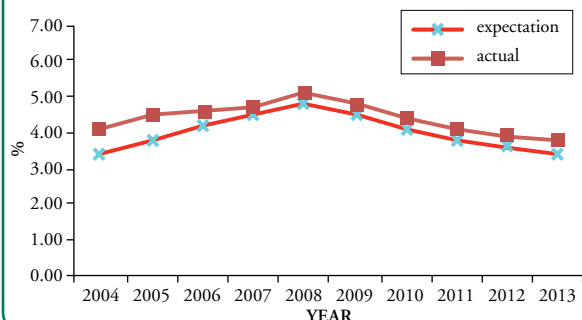
The Board of Management encourages members to review performance relative to the Scheme SIPO with emphasis on longer term results rather than specific years.

Performance over the last 5 year period is shown below.

Cash option

Because there has been a mix of securities, including for recent years term deposits, within the portfolio that are not measured within the Index, returns have exceeded Index. The years' securities have credit ratings that meet the investment guidelines for the mandate.

Cash option – average actual against expectation



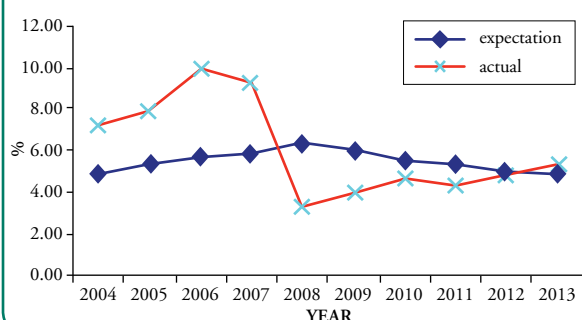
Conservative, Balanced & Growth options

The earning rates for the Conservative, Balanced and Growth member choice investment options were above expectations for 2013.

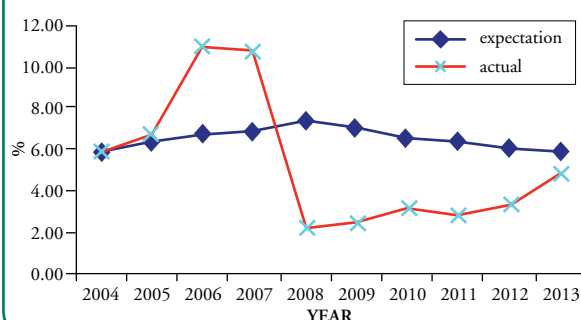
Actual returns on a 5 year rolling basis were slightly above expectation level for the Balanced option and close to expectation level for the Growth option (because of International Equities having a higher allocation). That was an improvement on 2012 because the main impact of the GFC in 2008 fell outside of the 2009 to 2013 period.

Graphs that follow show the average return for periods from 2004 to 2013. A graph is not shown for the Conservative Option because it was only introduced on 1 August 2012. Earlier period returns have been restated from prior Annual Reports to fit within revised SIPO parameters.

Balanced option – average actual against expectation



Growth option – average actual against expectation



What were the returns by asset class?

The member choice investment options offered to Division 2 members have different risk profiles achieved by investing in varying allocations to the asset classes shown below. In all cases securities are held by, and transactions processed via, a custodian, not the investment manager.

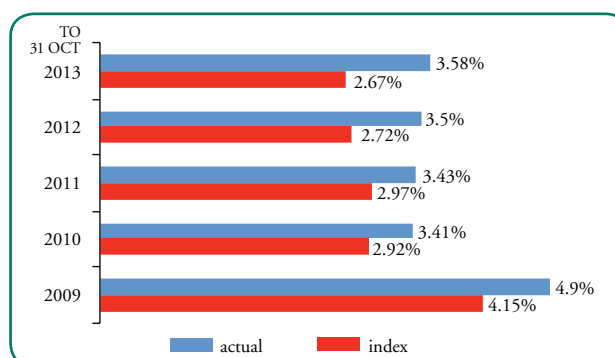
There were some changes in investment manager, product, or portfolio composition within the 5 year time period in the graphs below. For example, International Equities investment management changed from JANA to Russell during December 2010.

Cash

| Cash is: | Index | Actual | Index | Relative performance | Target |
|--|----------------------------------|--------|-------|----------------------|--------|
| <i>Short term deposits and securities managed by ANZ Investments (formerly OnePath (NZ))</i> | ANZ New Zealand 90 day Bank Bill | 3.58% | 2.67% | 0.91% | 0.10% |

The index measures the cumulative increase in the market value of a portfolio of bank bills based on a daily roll over and purchase of a new bank bill of 90 day maturity. This index is valued on a mark to market basis, i.e., valued at current market yields not at purchase yields. A 90 day bank bill reflects the interest rate that banks pay on a 3 month deposit of wholesale money. Yield is the expected annualised rate of return from holding a bill until it matures.

The 2013 Cash return beat the index owing to inclusion of term deposits at or near retail rates.

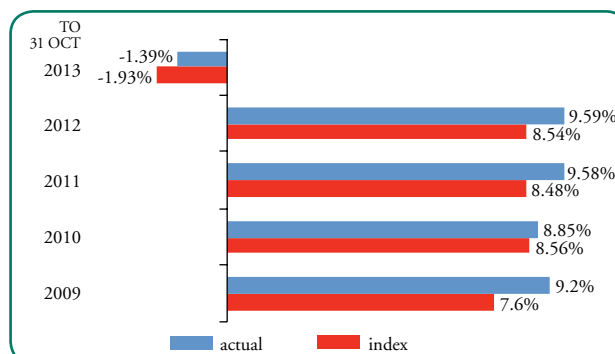


NZ Fixed Interest

| NZ Fixed Interest is: | Index | Actual | Index | Relative performance | Target |
|--|--|---------|---------|----------------------|--------|
| <i>Government and corporate bonds and discounted securities managed by ANZ Investments (formerly OnePath (NZ))</i> | ANZ New Zealand Government Stock Gross | (1.39)% | (1.93)% | 0.54% | 0.75% |

The index tracks movements in the New Zealand Government bond market. Bonds are included in the index in proportion to their relative market capitalisation weights. The calculation for this index assumes the full amount of all coupon payments are reinvested in the index.

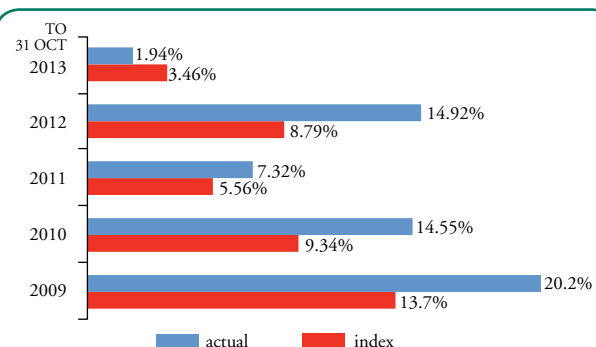
An unusual 2013 result of a negative Fixed Interest return. It was caused by yields rising during the year resulting in capital losses. Holding securities other than Government Stock (the index measure) in the portfolio gave a return better than the index.



Global Fixed Interest

| Global Fixed Interest is: | Index | Actual | Index | Relative performance | Target |
|---|---|--------|-------|----------------------|--------|
| <i>A PIE version of a Fisher Funds unit trust that invests in global government and corporate fixed interest securities predominantly investment grade managed by PIMCO</i> | Barclays Global Aggregate Bond – hedged 100% into NZD | 1.94% | 3.46% | (1.52)% | 1% |

PIMCO (the manager for the Fisher /TOWER product) under-performed the index primarily due to a long duration stance in May-June when global yields rose sharply in response to the US Fed signalling reduced monetary stimulus prematurely. This followed several years of exceptional out-performance by the manager.

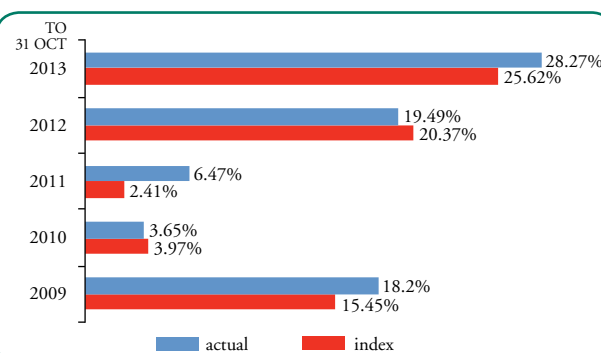


NZ Equities

| New Zealand Equities is: | Index | Actual | Index | Relative performance | Target |
|--|-------------------------------------|--------|--------|----------------------|--------|
| <i>NZ listed and certain Australian listed shares managed by ANZ Investments (formerly OnePath (NZ))</i> | NZX50 Gross with imputation credits | 28.27% | 25.62% | 2.65% | 3% |

This index consists of the top 50 companies listed on the New Zealand Exchange (NZX) by free float adjusted market capitalisation. Free float refers to the shares of a company that are regarded as normally available for market trading. The index accounts for about 98% of the pool of tradable securities listed on the NZX. The index is calculated with gross dividends reinvested.

Another year of high returns with out-performance near to target.



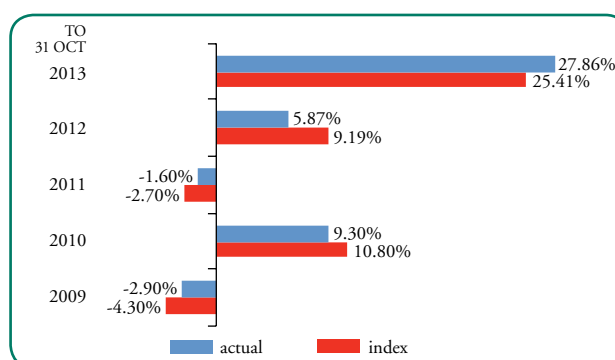
International Equities – total

| International Equities is: | Index | Actual | Index | Relative performance | Target |
|--|--|--------|--------|----------------------|--------|
| <i>Global listed shares managed via Russell global multi-manager funds hedged 45% to NZD in aggregate.</i> | Russell Global Large Cap hedged 45% to NZD | 27.86% | 25.41% | 2.45% | 2.50% |

*The managers within the product are:
Sanders; Harris; PIMCO; MFS; Wellington; Delaware*

Composed of companies representative of 98% of investable equities worldwide, without the limitations of country or region. Each security's weight is proportional to the market capitalisation of its free-floating shares. The target allocation between the hedged and un-hedged funds is 45/55. The currency hedge is managed by Russell.

An exceptional market return for 2013 supplemented with out- performance by the manager.

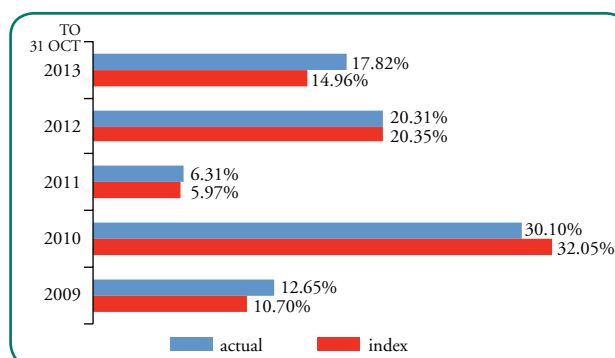


Global Property

| Global Property is: | Index | Actual | Index | Relative performance | Target |
|--|---|--------|--------|----------------------|--------|
| <i>Global listed property securities managed by AMP Global Property Securities (PIE version)</i> | FTSE EPRA/ NAREIT Global Real Estate – 100% after tax hedged to NZD | 17.82% | 14.96% | 2.86% | 3% |

A free float capitalisation-weighted arithmetic average return index that measures the performance of publicly traded real estate investment trusts and property investment companies. Securities are screened for liquidity and size to ensure investability. It comprises about 400 constituents. The index is fully after tax hedged back to the New Zealand dollar.

The Global Property sector investment has a hedge level of about 140% to give 100% after tax. Currency movements during the year were a positive contributor to the result.



INVESTMENTS –MARKET COMMENTARY (BY RUSSELL INVESTMENTS)

The 2013 Scheme year saw the continuation of one of the biggest monetary experiments in history. Quantitative Easing (QE), which currently involves the US Federal Reserve purchasing an average of US\$85 billion of bond securities a month, has seen the size of the US monetary base nearly quadruple since late 2008. It's fair to say that this "money-printing" programme has significantly influenced the returns earned by investors, and will continue to do so.

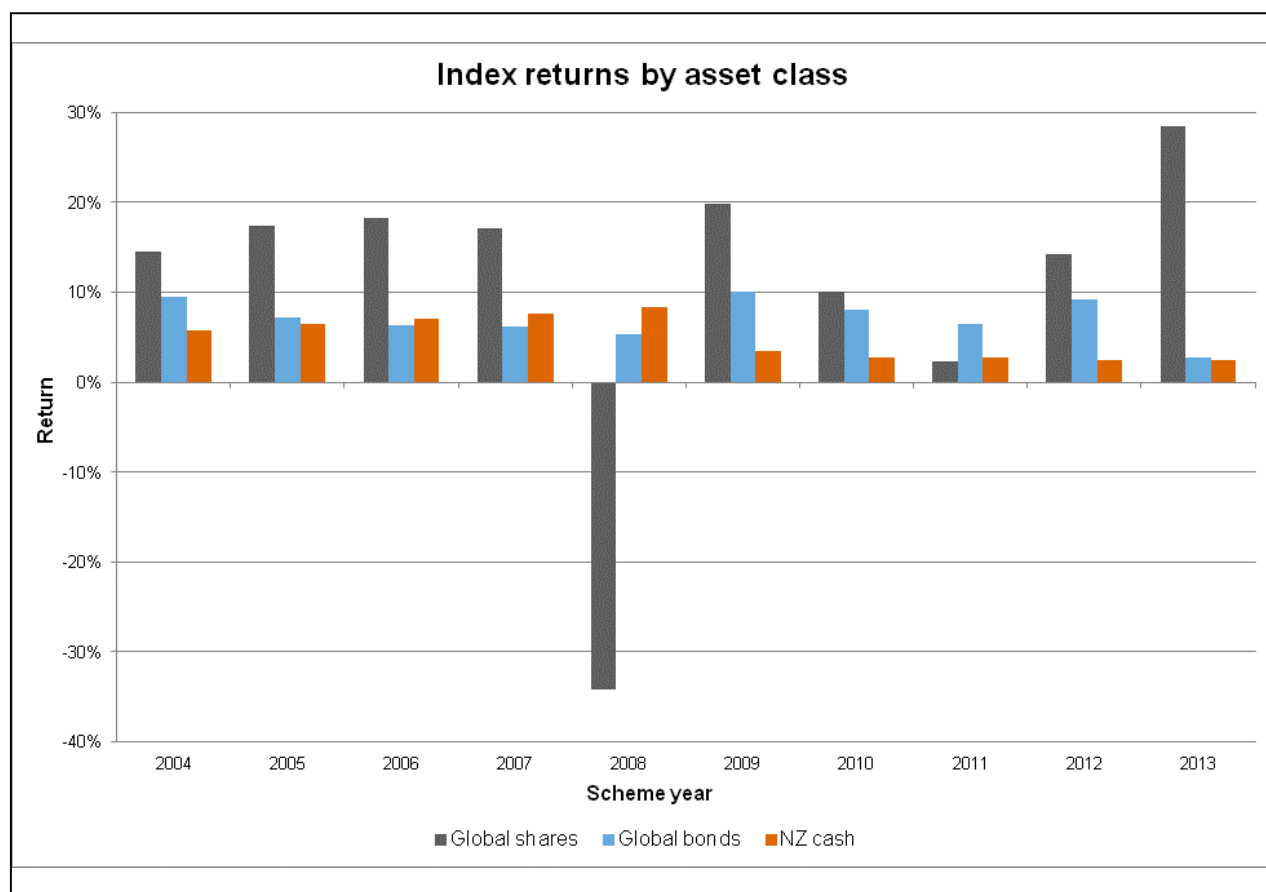
Sharemarkets were big beneficiaries of this continuous monetary injection during the period. This, and the strengthening of the US economic recovery, saw global shares return an impressive 25% for the year. While sharemarkets in the United States and Europe performed strongly over the year, they were overshadowed by Japanese shares, which rose over 60% following the return to power of the country's pro-stimulus Liberal Democratic Party. It has therefore been a very good year for investors with significant allocations to shares, such as members in the Scheme's Balanced and Growth options, who earned 10.75% and 17.8% after taxes and fees, respectively.

Yet it is hard not to conclude that global sharemarkets have developed a taste for the monthly monetary injections by the US Federal Reserve. This was evidenced in June and August of this year when sharemarkets tracked down at the mere suggestion that this stimulus might be partially withdrawn, or "tapered". We should expect returns from shares in 2014 to be driven by decisions by the Fed on when, or if, it will "taper" its QE programme. In any case, US economic growth should continue to provide support to share prices. This might be impacted, however, by political events in the early parts of next year, including the debates over the US budget and debt ceiling.

While shares, on the whole, performed strongly over the period, the same cannot be said for bonds. The Fed's bond buying programme had pushed bond prices up to record levels in prior years, leading to a multi-year bull market in bonds. The threat that this programme may be scaled back, however, saw downward pressure on bond prices – and therefore returns – over the year. New Zealand bonds were certainly not immune, recording a negative return, a very rare outcome by historical standards.

Despite this being a challenging period for bonds, members in the Scheme's Conservative Option – an option with a significant allocation to these securities – earned 5.7% after taxes and fees. This pleasing return was supported by the Option's 20% allocation to shares and demonstrates the benefit of a diversified portfolio in such unusual environments.

As we look back on the year, it's useful to remind ourselves that, as long-term investors, we can expect periods, like this year, when shares perform strongly and bonds poorly. The story, however, could be very different next year. The chart below shows us that these ups and downs are something that we need to accept. For investors with a short-term focus, such volatility can be very unsettling. For investors with diversified portfolios who are focused on the long term, volatility is less of an issue. By "staying the course" we improve our chances of meeting our ultimate retirement goals.



Disclaimer

The information contained in this commentary was prepared by Russell Investment Group on the basis of information available at the time. It provides general information only and should not be relied upon in making an investment decision. In particular, the information is not personalised financial advice for the purposes of the Financial Advisers Act 2008 (NZ).

SCHEME SURPLUS

As at 31 October 2013 a residual Scheme surplus value at about \$6.63m (inclusive of current year earnings) was in line with an amount agreed between the BOM and the Bank as a 'buffer' for the Division 1 actuarial liabilities (which are mainly in respect of pensioners), after allowing for an investment provision to cover fluctuations in investment returns. The Scheme Actuary continued a mortality assumption for calculating the pension liabilities based on NZ Life Table 05/07 with a 2 year set back (in place of 1.5 years at the last triennial examination).

ACTUARIAL DECLARATION

An actuarial examination required by Section 15 of the Superannuation Schemes Act 1989 was carried out as at 31 October 2011. The examination revealed that the fund was in a sound position with an actuarial surplus of approximately \$5.8m.

The contributions paid to the Scheme are in accordance with the recommendation contained in the most recent report of the Actuary and the Scheme Rules.

The Board receives updates from the Actuary of the Pensioner and Division 1 liabilities annually. For the year ended 31 October 2013, these Division 1 and Pension liabilities are included in the Financial Statements at \$32.1m. They are covered by a segregated portfolio of mainly long dated Government stock.

An actuarial examination - is a full formal review of the financial position of the fund, conducted by the Scheme's actuary. The review determines whether the Scheme is 'on track' to pay current and future benefits from its own funds, and provides an opinion on the funding for the Bank subsidy.

An actuary is a mathematician skilled in making financial calculations and economic projections, who may advise on funding requirements and benefit calculations applicable to defined benefit superannuation schemes.

PROSPECTUS

The Securities Act (Employer Superannuation Schemes) Exemption Notice 2004 applies to the Association and as a result it does not register a Prospectus.

MEMBERSHIP SUMMARY

Membership changes during the 2012/2013 Scheme year

| | Division 1 | Division 2 | Total | Exit Value \$m |
|----------------------------------|------------|------------|-------|-------------------|
| Opening - 1 November 2012 | 1 | 2900 | 2901 | |
| <i>Plus:</i> New members | | 457 | 457 | |
| <i>Less:</i> Resignations | | 222 | 222 | 4.820 |
| Redundancies | | 15 | 15 | 0.636 |
| In-service withdrawals | | 148 | 148 | 4.866 |
| Normal retirements | | 16 | 16 | 2.988 |
| Deaths | | - | - | - |
| Special Benefits | | | | 0.001 |
| Partial withdrawals | | | | 2.471 |
| Closing - 31 October 2013 | 1 | 2956 | 2957 | |

Pensioner changes during the 2012/2013 Scheme year

| | Pensioners | Widows / Widowers | Children | Total |
|--------------------------------------|------------|----------------------|----------|-------|
| Opening as at 1 November 2012 | 67 | 80 | 1 | 148 |
| <i>Plus:</i> New | | 3 | | 3 |
| <i>Less:</i> Deceased | 7 | 10 | | 17 |
| Closing as at 31 October 2013 | 60 | 73 | 1 | 134 |

Commentary

Division 2 membership had increased by 56 at year end (2012 - up 26). As at 31 October 2013 the analysis of member choice investment options by membership numbers was:

| Option | 2013 | 2012 |
|-------------------|-------|-------|
| Balanced | 50% | 50.5% |
| Balanced 17.5 | 14% | 13.5% |
| Cash | 10.5% | 12.5% |
| Cash 17.5 | 4% | 4% |
| Conservative | 5.5% | 4.5% |
| Conservative 17.5 | 2% | 1% |
| Growth | 11% | 11% |
| Growth 17.5 | 3% | 3% |

The split by benefit entitlement values was about 66% to combined Balanced, 11% to combined Cash, 12% to combined Conservative, and 11% to combined Growth respectively (2012, 65%, 17%, 9% and 9%).

RULE AMENDMENT

The Rules were amended as at March 2013 to permit Division 2 members to remain in the Scheme, if they wish, after leaving the employment of the Bank.

The full amendment reads:

2.8.5 **Deferral of payment of benefit**

Notwithstanding anything to the contrary contained in these Rules, the Board may at the request of a Member, from time to time in its absolute discretion, allow all or part of any benefit otherwise payable in respect of that Member to be retained in the Provident Fund after the date on which the Service of the Member has ceased. If the Member's benefit is retained in the Provident Fund as provided in this Rule:

- (a) The Member's benefit shall continue to be allocated Distributed Earnings and interim Distributed Earnings in accordance with Rule C5.3.
- (b) The Member's right to contribute to the Provident Fund shall cease from the date on which the Service of the Member ceased.
- (c) The Member shall not be entitled to the Member's Bank Contribution for any period from the date on which the Service of the Member ceased.
- (d) For the purposes of Rule 2.7 and the calculation of the Member's Primary Benefit and any Member's Additional Benefit, the Member's membership of the BNZOPA shall be deemed to have ended when the Service of the Member ceased, provided that the Bank shall retain its powers under clause 2.2.4 to credit a Member with additional years of membership.
- (e) Rule 2.2.2(d) relating to partial withdrawals will not apply to the Member, but the Member may make partial withdrawals in accordance with criteria established from time to time by the Board.
- (f) For the avoidance of doubt:
 - (i) the Member is to have the same rights as all other Division 2 Members if the Provident Fund is wound up;
 - (ii) the Member is eligible to vote in any ballot for the election of members of the Board;
 - (iii) Rule C3.3A.8 allowing the Member to change his or her Investment Direction, and Rule 2.3.3 relating to the transfer of a benefit will continue to apply to the Member.
 - (iv) Rule 2.4.3 relating to lump sum contributions will not apply to the Member.
- (g) The Member's Benefit shall be payable within three months of written notice from either the Board to the Member or the Member to the Board directing payment, or otherwise as agreed by the Member and the Board.

MEMBERS OF THE BOARD OF MANAGEMENT

The Board of Management comprises four representatives appointed by the Bank and four elected by members of the Scheme. Members of the Board of Management are:

| Name | Bank Position | Constitution | 2013 Changes |
|---|--|---|--|
| Bank-appointed representatives | | | |
| Chris Reid | Chief General Counsel, Auckland | Appointed by the Board of Directors of the Bank, April 2013. Chairperson since April 2013 | Replaced Martin Philipsen who resigned |
| Paul Steven Bevin | Independent of Bank, Wellington | Since July 2005, appointed by the Chief Executive of the Bank | |
| Graeme David Liddell | Head of Markets, Wellington | From 3 December 2013, nominee of the Chief Executive of the Bank | Replaced Glenn Patrick who resigned |
| Shelley Maree Ruha | Director, Enterprise Services, Auckland | Appointed October 2011, by the Board of Directors of the Bank | |
| Member-appointed representatives | | | |
| Matthew Rowland Cullum | Head of Operations - Retail, Auckland | Must reside in North Island Elected 28 October 2008; re-elected October 2011 | |
| Hugh Alexander Smith | Special Counsel, Wellington | Must reside in North Island Elected September 2006; re-elected September 2009 and 2012 | |
| Ian Howard Russon | Head of Financial Institutions, Wellington | If no Division 1 member nominated, a Division 2 member Elected 25 October 2011 | |
| Matthew James Eaden | Partner, Corporate, Christchurch | Must reside in South Island Elected March 2007; re-elected July 2010 and July 2013 | Re-elected |

ADVISERS TO THE BOARD OF MANAGEMENT

While carrying out its regular duties throughout the year the Board called upon a number of expert advisers:

Actuary:

Michael Robinson of Mercer (NZ) Ltd
P O Box 105 591, Auckland

Auditor:

Deloitte
P O Box 1990, Wellington

Solicitors:

Chapman Tong Law
P O Box 10 614, Wellington

Investment:

Russell Investments Limited
P O Box 105-191, Auckland

Tax:

KPMG
P O Box 996, Wellington

The Investment Managers were:

Russell Investments
P O Box 105-191, Auckland

Fisher Funds Management Limited
P O Box 33 549, Takapuna, Auckland
(purchased TOWER Asset Management)

AMP Capital Investors Limited
P O Box 3764, Wellington

ANZ Investments
P O Box 7149, Auckland
(renamed from OnePath (NZ) Limited)

From time to time the Board also calls on other expert advisers to assist with specific issues.

BOARD OF MANAGEMENT COMMITTEES

The role of the committees is to assist the Board to achieve its governance responsibilities and investment objectives through in-depth analysis and regular review of issues impacting on the OPA. Each committee operates to a charter. The main issues addressed during the year were:

Audit

- Supervision of the annual audit programme

Investment

- Monitoring of investment performance (quarterly) and strategy with advice from Russell Investments
- Obtaining better returns than wholesale interest rates for the Cash option
- Review of the Global Property sector investment

A Strategy & Communications committee was dis-established during the year, with responsibilities absorbed by the Board of Management.

LEGAL PROCEEDINGS / ARBITRATION

No legal proceedings or arbitration were pending as at 31 October 2013.

STATEMENT BY THE BOARD OF MANAGEMENT

The members of the Board of Management:

- State that all contributions required to be made to the Scheme, in accordance with the Rules of the OPA, have been made;
- Certify that all benefits required to be paid from the Scheme, in accordance with the Rules of the OPA, have been paid;
- Certify that the market value of the assets of the Scheme at 31 October 2013 exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date, and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries (such as pensioners) as at 31 October 2013;
- Notify that at no time during the year to 31 October 2013 were more than 10% of the market value of the assets of the Association invested directly or indirectly with Bank of New Zealand or any company or entity associated with Bank of New Zealand. Year-end investments were:
 - \$7.5m was invested in BNZ term deposits / PIE term deposits with maturity dates extending to 28 January 2014
 - \$5.4m was invested in a BNZ covered bond with a maturity date of 30 June 2015, and
 - \$0.5m was invested in BNZ discount paper maturing during January 2014
- Confirm the abridged financial statements within this Report were authorised for issue on 29 November 2013;
- Are of the opinion, after due inquiry, that since 31 October 2013 there has been no material or adverse change to either or both of:
 - the value of the Scheme's assets relative to its liabilities (including contingent liabilities), or
 - the ability of the Scheme to pay its debts as they become due in the normal course of business;
- State that Bank of New Zealand, as employer sponsor, was required under the terms of each offer of an interest in the Scheme made after 31 March 2011, to incur costs (by way of contributions, expenses payments or both) for the financial year ended 31 October 2013. Those costs, which took the form of employer contribution payments totalled \$8.3m (rounded);
- Confirm that as at 31 October 2013, all eligible BOM members were members of Division 2 of the Scheme. Paul Bevin was not eligible to be a member.



Chris Reid

for and on behalf of the Members of the Board of Management



Hugh Smith

ABRIDGED FINANCIAL STATEMENTS & NOTES

The abridged financial statements are an extract from the Bank of New Zealand Officers' Provident Association full statutory format financial statements, signed on 29 November 2013, with an unqualified and unmodified audit opinion. They should be read in conjunction with Notes 1 to 3 below and Notes 1 to 20 from the full financial statements. The abridged financial statements do not provide as complete an understanding as the full statutory format financial statements. If you would like to receive a free copy of the full set of financial statements, please contact the Scheme Secretariat or view them at www.bnzopa.co.nz

FINANCIAL PERFORMANCE

Key results shown in the abridged financial statements that follow include:

- With the exceptions of NZ Fixed Interest and the Non Division 2 investments, all investment sectors contributed positively, at varying levels.
- Total operating expenses were in line with last year's level.
- Income tax expense at about \$0.8m was lower than the previous year due mainly to lower taxable income from the Fixed Interest and Non Division 2 investment sectors.
- Benefits paid to Division 2 members were about \$6.3m less than last year, as withdrawals by members whilst still in the Scheme and redundancies decreased. The total of member and employer fortnightly contributions received were about \$0.3m more than last year.
- The Scheme surplus, shown under Member Liabilities increased in value during the year, as shown in the analysis below. Transactions affecting the surplus are summarised as:

| | |
|---|----------------|
| Opening value | \$7.13m |
| <i>Plus / (less)</i> | |
| Pensioner / Division 1 adjustments | (0.70) |
| Vesting fall back from exits/ adjustments | 0.33 |
| Sub-total | \$6.76m |
| Undistributed earnings 2013 | (0.13) |
| Closing value | \$6.63m |

There was rebalancing of investment assets during the year as required by investment value movements and to fund income tax payments.

ABRIDGED FINANCIAL STATEMENTS

Bank of New Zealand Officers' Provident Association Abridged Statement of Changes in Net Assets For the year ended 31 October 2013

| | 2013 \$(000's) | 2012 \$(000's) |
|--|-------------------|-------------------|
| INVESTMENT ACTIVITIES | | |
| Investment revenues / (losses) | | |
| NZ Fixed Interest & Cash revenue | 2,033 | 1,880 |
| Global Fixed Interest revenue | 2 | 177 |
| NZ Equities dividend & interest | 798 | 741 |
| Non Division 2 assets – Fixed interest | 2,003 | 2,198 |
| International Equities rebate income | 68 | 126 |
| International Equities distribution income | 3,370 | 18 |
| Global Property rebate income | 27 | 47 |
| Changes in net market values | | |
| Unrealised Gains / (Losses) | 8,149 | 12,884 |
| Realised Gains / (Losses) | 1,582 | 2,864 |
| Total investment revenues | 18,033 | 20,935 |
| <i>Less</i> Investment management fees | 900 | 829 |
| Net investment activities | 17,133 | 20,106 |
| Operating expenses | | |
| Audit fees | 31 | 31 |
| Other fees paid to Auditors | 0 | 0 |
| Actuarial fees | 15 | 33 |
| Depreciation | 1 | 1 |
| General expenses | 45 | 33 |
| Interest expense | 0 | 0 |
| Other professional fees | 145 | 151 |
| Staff | 254 | 251 |
| BOM remuneration | 20 | 20 |
| Non-deductible GST | 38 | 37 |
| Use of money interest - IRD | 9 | 12 |
| Total operating expenses | 558 | 639 |
| Net income/(deficit) before tax and membership activities | 16,575 | 19,537 |
| Income tax expense | 779 | 4,433 |
| Net income/(deficit) after tax and before membership activities | 15,796 | 15,104 |
| MEMBERSHIP ACTIVITIES | | |
| Members' contributions | 9,932 | 9,787 |
| Employer contributions | 8,273 | 8,102 |
| Less Benefits paid | 19,565 | 25,914 |
| Net membership activities (decrease) | (1,360) | (8,025) |
| Net (decrease) in assets | 14,436 | 7,079 |
| Net assets available to pay benefits at beginning of year | 211,981 | 204,902 |
| Net assets available to pay benefits at end of year | 226,417 | 211,981 |

Bank of New Zealand Officers' Provident Association

Abridged Statement of Net Assets

As at 31 October 2013

| | 2013 \$(000's) | 2012 \$(000's) |
|---|-------------------|-------------------|
| Investments | | |
| Cash mandate | 33,377 | 34,173 |
| NZ Fixed Interest | 17,449 | 16,017 |
| Non Division 2 assets – Fixed Interest | 37,956 | 42,958 |
| Equities – NZ & Australia | 18,798 | 16,682 |
| Global Fixed Interest (Fisher product) | 60,414 | 53,818 |
| International Equities – Russell un-hedged | 27,537 | 23,190 |
| International Equities – Russell hedged | 22,591 | 19,790 |
| Global Property Securities (AMP product) | 7,718 | 7,060 |
| | 225,840 | 213,688 |
| Other assets | | |
| Bank accounts | 61 | 60 |
| Accounts receivable | 460 | 457 |
| Fixed Assets | 1 | 2 |
| Deferred tax asset | 16 | 18 |
| Current tax | 338 | 0 |
| | 876 | 537 |
| Total assets | 226,716 | 214,225 |
| Deduct liabilities | | |
| Accounts payable | 299 | 520 |
| Current tax | 0 | 1,724 |
| Total liabilities | 299 | 2,244 |
| Net assets available to pay benefits | 226,417 | 211,981 |
| Represented by member liabilities | | |
| Division 2 | 187,723 | 169,167 |
| Division 1 & Pension liability | 32,061 | 35,683 |
| Undistributed earnings – current year | (130) | 450 |
| Scheme surplus | 6,763 | 6,681 |
| | 226,417 | 211,981 |

Abridged Statement of Cash Flows

For the year ended 31 October 2013

| | 2013 \$(000's) | 2012 \$(000's) |
|---|-------------------|-------------------|
| Net cash flows used in operating activities | (622) | (8,481) |
| Net cash flows from investing activities | 623 | 8,512 |
| Net increase in cash held | 1 | 31 |
| Add opening cash brought forward | 60 | 29 |
| Closing cash carried forward | 61 | 60 |

The full statutory financial statements for the year ended 31 October 2013 comply with International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable financial reporting standards, as appropriate for profit-oriented entities. An explicit and unreserved statement of compliance is contained in Note 2 of the full statutory financial statements.

The accounting policies adopted are:

- The measurement base adopted is that of historical cost modified by the revaluation of assets which are measured at fair values at balance date.
- Statutory Base: These financial statements have been prepared in compliance with FRS 43 (summary financial statements), the Superannuation Schemes Act 1989, Financial Reporting Act 1993, and the Bank of New Zealand Officers' Provident Association Rules.

The presentation currency is New Zealand dollars, rounded to the nearest thousand.

The abridged financial statements have been extracted from the Scheme's audited full statutory format financial statements, which were authorised for issue by the Board on 29 November 2013, with an unqualified audit opinion. They should be read in conjunction with Notes 1 to 3 below and Notes 1 to 20 from the full financial statements. The abridged financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as the full statutory format financial statements. If you would like to receive a free copy of the full set of financial statements, please contact the Scheme Secretariat, or view them at www.bnzopa.co.nz.

NOTE 1 – Vested Benefits

Vested benefits are the rights which are not conditional on continued membership, under the conditions of the Association. The total vested accrued liability was \$202.95 million, compared to assets of \$204.9 million, per the triennial actuarial examination as at 31 October 2011. The difference (\$1.95 million) between these two amounts reduced to the extent the Bank continued to meet its Division 1 subsidy from the surplus and will also reduce to the extent that members continue to accrue additional service.

The equivalent total vested accrued liability at 31 October 2013 was \$224.4 million, compared to assets of \$226.7million. The surplus value on a vested accrued liability basis was about \$6.6 million (net of current year earnings allocated), with non-vested benefits being about an additional \$1.98 million.

NOTE 2 – Events Subsequent to Balance date

Any movements in market value of investments from balance date to the date of issue of this report have not been reflected in these financial statements. There were no material events subsequent to balance date.

NOTE 3 - Compliance

The abridged financial statements comply with accounting standard FRS-43: *Summary Financial Statements*.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

Report on the Abridged Financial Statements

The accompanying abridged financial statements of the Bank of New Zealand Officers' Provident Association (the "Association") on pages 20 to 22, which comprise the abridged statement of net assets as at 31 October 2013, and the abridged statement of changes in net assets and abridged statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Association for the year ended 31 October 2013. We expressed an unqualified and unmodified audit opinion on those financial statements in our report dated 29 November 2013.

The abridged financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statements of the Association.

This report is made solely to the Association's members, as a body. Our audit has been undertaken so that we might state to the Association'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 Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Management's Responsibility for the Financial Statements

The Board of Management are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43: *Summary Financial Statements*.

Auditor's Responsibilities

Our responsibility is to express an opinion on the abridged financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor, we have no relationship with or interests in the Association.

Opinion

The abridged financial statements are correctly extracted from the audited financial statements of the Association for the year ended 31 October 2013 and in our opinion are consistent, in all material respects, with those financial statements.

Chartered Accountants

29 November 2013

Wellington, New Zealand

STATEMENT OF INVESTMENT POLICY & OBJECTIVES

What is it?

It is a formal description of the terms and responsibilities for investment of the Scheme assets, specifying the risk levels acceptable, and giving consideration to the purpose of the fund as defined within its Rules. It does not cover how the funds are invested or the instructions to / expectations of a fund manager; those are incorporated in separate investment guidelines. The statement is reproduced below.

Introduction

The Bank of New Zealand Officers' Provident Association (OPA) Scheme may be considered a hybrid, consisting of a closed defined benefit section (Division 1) and a defined contribution section (Division 2). Division 2 contains all but one of the members and is akin to a cash accumulation scheme. The OPA, established over "100 years ago, operates under an Act of Parliament, Bank of New Zealand Officers' Provident Association Act, 1971 (the Act) and is governed by the OPA Rules.

The primary purpose of the Scheme now is to receive, manage, and administer contributions from members and from the Bank of New Zealand (the Bank), and to pay benefits, in accordance with the Rules. The Rules were last amended during March 2013.

Division 2 of the Scheme as a voluntary cash accumulation one, accounts for each member's individual interest, based on contributions received from the member and the Bank, and sums allocated per the Rules from the earnings of the investment portfolio administered by the Board of Management (BOM).

The BOM are elected by the members and appointed by the Bank in accordance with the Rules. The management of the investment assets of the Scheme, undertaken by the BOM, is determined by the Rules and the Act.

This 'Statement of Investment Policy and Objectives' (SIPO) for the Scheme is reviewed as needed, but at least annually, to ensure that the contents remain valid to satisfy the requirements of the OPA.

BOARD OF MANAGEMENT RESPONSIBILITY

The Act describes in section 5 (Powers of Association) the powers, rights, and authorities available to the Board. Specifically Section 5 (2) (k) states:

'Invest and deal with the moneys of the Association in the manner authorised by the rules...'

In turn, Rule C3.3 covers Investment. It states in part:

'...The moneys of the Association may be invested in the name of the Association, or in the name of the Bank's nominee company or a trustee company or corporation as trustee or agent for the Association, in any manner authorised by law or by the Trustee Act 1956 and the Superannuation Schemes Act 1989, as the Board may in its discretion decide.....'

The BOM is responsible for:

- Determination of the level of investment risk acceptable for the Scheme, and interpreting this into an appropriate investment strategy.
- Determination of investment guidelines and objectives for the efficient implementation and on-going management of the Scheme's investment portfolio.
- Appointment of an investment manager or managers, to undertake the investment of the OPA's assets. The appointment/s to be arranged in such a manner, that the investment manager/s is mandated to fulfil

an investment function as directed by the BOM. The appointment/s is reviewed at intervals of not less than every 3 years to ensure that the investment objectives of the OPA are satisfied.

- Efficiently managing the Scheme, meeting formally at least every 3 months to review performance, and any matters of policy on recommendation from the Investment committee. The BOM appoints a Secretary to administer the Scheme on an on-going basis.
- Employing other consultants for external advice and services and to determine their degree of responsibility towards efficient operation of the Scheme.

The BOM has a committee structure within which the Investment committee considers and reports to the BOM on the responsibilities outlined above.

In determining the investment policy and objectives, the BOM recognises the concept of prudential investment in accordance with the Trustee Act. That policy prevails in the management of the OPA's investment portfolio (with exception to be made for non-diversified member choice investment options) by being advised to, and understood by the appointed investment manager/s.

During 2003 Member Choice Investment Options were introduced for Division 2 members and the SIPO modified by adding Investment Objectives for each option to a similar format to that already in place. In December 2005 and December 2010, the Investment Objectives section for each option, were modified to a different format. In June 2012 an extra member choice investment option (Conservative) was added to the Investment Objectives section. This version (March 2013) records there were amendment to the Scheme Rules.

INVESTMENT POLICIES

The investment policies set by the BOM are:

1. Investment risk must be minimised for the expected level of return.
2. An appropriate level of portfolio risk will be determined and accepted by the BOM in consultation with its advisors.
3. Portfolios will accept risks in a prudent manner.
4. An appropriate level of diversification across securities, sectors, asset classes and countries must be maintained, relative to the objectives for that portfolio.
5. Tax efficiency is regarded as important.
6. Liquidity must be maintained at an appropriate level given that medium term liquidity is expected to remain negative.
7. Costs incurred in the running of the Scheme will be controlled as effectively as possible.
8. Flexibility must be accommodated to allow for changes in the members' needs, and the economic, social, political and investment environments.
9. The portfolios and investment managers will be monitored on an on-going basis.
10. All aspects of the investment process and functions must be reviewed regularly.
11. The BOM's responsibilities under common law and statute must be met, except where otherwise excluded within the Rules.

INVESTMENT OBJECTIVES

Cash & Cash 17.5

The objective of this option is to provide returns consistent with traditional cash investments such as term deposits. To achieve this, the fund will invest in a portfolio of wholesale New Zealand cash and short term investments.

The target investment return from investing 100% in wholesale cash will be to perform closely in line with the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark), adjusted to take into account tax (at 28% from 1 October 2010; 30% prior), fund expenses and fees.

In any given year this option has a negligible probability of experiencing a negative return, after tax, fund expenses and fees are taken into account.

Conservative & Conservative 17.5

The objective of this option is to provide returns over the long term that are modestly higher than those of traditional cash investments. Returns will be generated primarily from income with some capital growth. There will be variations in returns from year to year, including the prospect of negative returns.

This option will invest across a diversified mix of asset classes including, but not limited to, cash, fixed interest, and equities. The allocations to income assets (cash and fixed interest) will be significantly higher than to growth assets (equities).

The target investment return will be to outperform, over a long term horizon, the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by 0.75% p.a., after tax (at 28%), fund expenses and fees are taken into account.

For this option the probability of experiencing a negative return over a four to seven year period is approximately 1 in 75, or 1.3%, after tax, fund expenses and fees are taken into account.

Balanced & Balanced 17.5

The objective of this option is to provide returns over the long term that are moderately higher than those of traditional cash investments. Returns will be generated from both income and capital growth. There will be variations in returns from year to year, including the prospect of negative returns.

This option will invest across a diversified mix of asset classes including, but not limited to, cash, fixed interest, equities and property. The allocations to income assets (cash and fixed interest) and growth assets (equities and property) will be roughly equal.

The target investment return will be to outperform, over a long term horizon, the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by 1.5% p.a., after tax (at 28%), fund expenses and fees are taken into account.

For this option the probability of experiencing a negative return over a four to seven year period is approximately 1 in 10, or 10%, after tax, fund expenses and fees are taken into account. A negative return may be experienced in consecutive years.

Growth & Growth 17.5

The objective of this option is to provide returns over the long term that are materially higher than those of traditional cash investments. Returns will be generated from both income and capital growth. There will be wide variations in returns from year to year, including the prospect of negative returns.

This option will invest across a diversified mix of asset classes including, but not limited to, cash, fixed interest, equities and property. The allocation to growth assets (equities and property) will be significantly higher than the allocation to income assets (cash and fixed interest).

The target investment return will be to outperform, over a long term horizon, the ANZ 90 Day Bank Bill Index (a wholesale cash benchmark) by 2.5% after tax (at 28%), fund expenses and fees are taken into account.

For this option the probability of experiencing a negative return over a four to seven year period is approximately 1 in 5, or 20%, after tax, fund expenses and fees are taken into account. A negative return may be experienced in consecutive years.

FURTHER INFORMATION

If you would like more information about matters covered in this report or about Scheme membership in general, you should contact:

The Scheme Secretariat
Bank of New Zealand Officers' Provident Association
P O Box 2392
Wellington
E-mail: bnzopa@bnz.co.nz Telephone: (04) 474 6780 Fax: (04) 474 9048

Members of the Secretariat are:

Bruce Burrows, Business Manager
Cyril Bray, Administration Officer

You may view or receive, at no cost, a copy of any of the following material on request to the Scheme Secretariat:

- full set of financial statements as registered with the Companies Office
- the OPA's Investment Statement
- recent Annual Reports
- the Rules of the OPA
- latest triennial actuarial examination

With an exception of the actuarial examination, all are available for reading on the Association's web-site, www.bnzopa.co.nz.

Complaints, Disputes and Communications

A disputes resolution service is available as prescribed under the Financial Service Providers (Resolution and Dispute Resolution) Act 2008. If you have a complaint or dispute in relation to the operation of the OPA you should in the first instance contact the Chairperson at the address shown below. The Board has engaged FSCL (Financial Services Complaints Limited) as its disputes resolution service provider.

Communication with the Board of Management

Please address correspondence to:

The Chairperson
Bank of New Zealand Officers' Provident Association
P O Box 2392
Wellington

Your feedback is welcome

The BOM is committed to keeping members informed of the significant issues facing the Scheme. The main communication channels used are email and the web-site www.bnzopa.co.nz.

