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BANK OF NEW ZEALAND OFFICERS' PROVIDENT ASSOCIATION

Bank of New Zealand Officers' Provident Association

Annual Report

For the year ended 31 October 2017

The Board of Management (Board) of the Bank of New Zealand Officers' Provident Association (the **Association** or the **Scheme**) is pleased to present the 130th Annual Report.

The Financial Markets Conduct Act 2013 and regulations prescribes certain content of this Report and a document called a Fund Update, which are published annually. The Fund Update contains information that was previously within the Annual Report, and is published about the same time as the Annual Report.

The Board continues its practice of providing financial statements (in a summary format), and comparative earning rate data. These can be found toward the end of this report.

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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.

Details of scheme

| Prescribed Financial Markets Conduct Act information: | |
|--|---|
| Name of the scheme | Bank of New Zealand Officers' Provident Association |
| Type of scheme | Restricted workplace savings scheme |
| Name of the manager | Board of Management of the Association |
| Date and status of the latest PDS | Date: 2 August 2017. Status: Open for applications |
| Date of the latest fund update | As at 31 October 2017 one fund update had been issued. The Association's latest fund updates for the year ended 31 October 2017 are being made publicly available about the same time as this report. |
| Scheme's latest financial statements | The Association's latest financial statements and auditor's report were dated 31 October 2017, and signed on 5 December 2017. |

Information on contributions and Scheme participants

Information as specified in the Financial Markets Conduct Regulations 2014 (Schedule 4, Clause 78):

| For Scheme year 2016/2017 | Number | | Number | Number | \$m |
|--|--------|----------------|--------------|--------------|---------------|
| | | Total | Contributing | Not Contribg | Accumulations |
| Opening | | 3018 | 2789 | 229 | 223.5 |
| Plus: New members | 350 | | | | |
| +/- Transfers to or from other schemes | 0 | | | | |
| Total new members | | 350 | | | |
| Less: Persons who ceased to be members | | (532) | | | |
| Closing | | 2836 | 2560 | 276 | 243.6 |
| | | | | | |
| Contributions were received as: | | Scheme members | \$m | | |
| Member contributions | | 3187 | 9.721 | | |
| Employer or other sponsor contributions | | 3187 | 8.535 | | |
| Member Voluntary Additional Contributions | | 12 | 0.674 | | |
| Total | | | 18.930 | | |
| | | | | | |
| Persons who ceased to be members were paid as: | | Scheme members | \$m | | |
| Retirements | | 14 | 2.323 | | |
| Deaths | | 1 | 0.254 | | |
| Transfers to other schemes | | 0 | 0 | | |
| Other reasons of: | | | | | |
| Resignations | | 251 | 6.094 | | |
| Redundancies | | 87 | 4.983 | | |
| In-service | | 179 | 6.888 | | |
| Total - Persons who ceased to be members | | 532 | 20.542 | | |

Commentary

Contributions are shown in the table exclusive of earnings for the 2016/17 Scheme year. The 'Not Contributing' members shown in the table include 'Retention' class members. Retention members are those who have left the Bank of New Zealand (Bank) but have remained members of the Scheme. The Rules preclude Retention members from contributing to the Scheme once they have left the employment of the Bank. There were 154 Retention members at year-end.

Division 2 Membership had decreased by 182 at year end (2016 - up 8). As at 31 October 2017 the analysis of Member Choice Investment Options by membership numbers is as follows:

| Investment Option | 2017 | | 2016 | |
|-------------------|-------|-------|-------|-------|
| | By No | By \$ | By No | By \$ |
| Balanced | 58% | 67% | 59% | 66.5% |
| Cash | 8.5% | 6.5% | 10% | 9% |
| Conservative | 9.5% | 12% | 9.5% | 11.5% |
| Growth | 24% | 14.5% | 21.5% | 13% |

Pensioner changes during the 2016/2017 Scheme Year

| | Pensioners | Widows/ Widowers | Children | Total |
|--------------------------------------|------------|---------------------|----------|-------|
| Opening as at 1 November 2016 | 50 | 50 | 1 | 101 |
| Plus: New | | 1 | | 1 |
| Less: Deceased | 2 | 2 | | 4 |
| Closing as at 31 October 2017 | 48 | 49 | 1 | 98 |

Changes relating to the scheme

| | |
|---|--|
| Material changes during year to: | |
| Rules of the Association (Rules) | There were no changes to the Rules during the year. |
| Statement of Investment Policy & Objectives (SIPO) | The SIPO was updated during the year. The latest version is dated 2 August 2017. |
| Member Choice Options | Investment management for the New Zealand Equities (NZ Eq.) sector changed from ANZ Investments to Mint Asset Management on 1 August 2017. The Global Property product investment with AMP Capital was exited on 1 August 2017 and reinvested in the Russell International Equities product. |
| Related party transactions | There were no changes to note. |

Other information for particular types of managed funds

Withdrawals

During the Scheme year there were withdrawals of:

| Withdrawal reason | | Number | \$m value |
|-------------------|----------------------------------|--------|-----------|
| 1 | Persons who ceased to be members | | |
| | Retirements | 14 | 2.323 |
| | Deaths | 1 | 0.254 |
| | Transfers to other schemes | 0 | |

| | | | |
|---|---|-----|--------|
| | Other reasons of: Resignations | 251 | 6.094 |
| | Redundancies | 87 | 4.983 |
| | In-service | 179 | 6.888 |
| | Sub- total | 532 | 20.542 |
| 2 | Members who made a partial withdrawal per Rule 34.2 | 68 | 2.933 |
| | Members who made a retention withdrawal per Rule 37.5 | 22 | 1.247 |
| | Total | 622 | 24.723 |

Statements

The Members of the Board of Management:

- Certify that all contributions required to be made to the Scheme, in accordance with the Rules of the Association, have been made;
- Certify that all benefits required to be paid from the Scheme, in accordance with the Rules of the Association, have been paid; and
- certify that the market value of the assets of the Scheme at 31 October 2017 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 pensions) as at 31 October 2017.

Earnings (Crediting) Rates

The earnings (or crediting) rates applied to members' balances for the 2016/2017 Scheme Year are set out below. The rates for the year are shown in bold red type for each member choice option:

| | Cash | | | 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 2016 | 0.15 | 0.15 | 1.70 | (0.16) | (0.16) | 6.71 | 0.10 | 0.10 | 12.65 | 0.77 | 0.77 | 18.52 |
| December | 0.14 | 0.29 | 1.55 | 0.70 | 0.54 | 6.88 | 1.27 | 1.37 | 12.54 | 1.86 | 2.64 | 17.61 |
| January 2017 | 0.14 | 0.43 | 1.41 | 0.08 | 0.62 | 6.13 | (0.02) | 1.35 | 11.13 | (0.05) | 2.59 | 15.46 |
| February | 0.14 | 0.57 | 1.27 | 1.09 | 1.72 | 6.05 | 1.93 | 3.31 | 11.15 | 2.62 | 5.28 | 15.52 |
| March | 0.15 | 0.72 | 1.13 | 0.70 | 2.43 | 4.91 | 1.03 | 4.37 | 9.05 | 1.61 | 6.98 | 12.57 |
| April | 0.14 | 0.86 | 0.97 | 0.80 | 3.25 | 4.18 | 1.44 | 5.87 | 7.94 | 1.97 | 9.08 | 10.79 |
| May | 0.15 | 1.01 | 0.83 | 0.31 | 3.57 | 3.35 | 0.24 | 6.13 | 6.40 | 0.07 | 9.16 | 8.65 |
| June | 0.14 | 1.16 | 0.68 | (0.04) | 3.53 | 3.03 | (0.10) | 6.02 | 6.15 | 0.00 | 9.16 | 8.57 |
| July | 0.15 | 1.31 | 0.54 | 0.44 | 3.98 | 3.07 | 0.65 | 6.71 | 6.26 | 0.77 | 10.00 | 8.57 |
| August | 0.13 | 1.44 | 0.39 | 1.02 | 5.04 | 2.62 | 1.83 | 8.66 | 5.57 | 2.38 | 12.62 | 7.74) |
| September | 0.13 | 1.57 | 0.26 | 0.31 | 5.37 | 1.58 | 0.79 | 9.52 | 3.67 | 1.22 | 13.99 | 5.24 |
| October | 0.13 | 1.70 | 0.13 | 1.27 | 6.71 | 1.27 | 2.86 | 12.65 | 2.86 | 3.97 | 18.52 | 3.97 |

| | Cash 17.5 | | | 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 2016 | 0.17 | 0.17 | 1.93 | (0.22) | (0.22) | 6.99 | 0.03 | 0.03 | 13.04 | 0.75 | 0.75 | 18.87 |
| December | 0.16 | 0.33 | 1.75 | 0.74 | 0.52 | 7.23 | 1.31 | 1.34 | 13.01 | 1.88 | 2.64 | 17.98 |
| January 2017 | 0.16 | 0.49 | 1.59 | 0.08 | 0.60 | 6.44 | (0.02) | 1.32 | 11.55 | (0.04) | 2.60 | 15.81 |
| February | 0.15 | 0.64 | 1.43 | 1.14 | 1.75 | 6.36 | 2.01 | 3.36 | 11.57 | 2.66 | 5.33 | 15.85 |
| March | 0.17 | 0.81 | 1.28 | 0.73 | 2.49 | 5.16 | 1.08 | 4.47 | 9.37 | 1.67 | 7.09 | 12.85 |
| April | 0.16 | 0.97 | 1.11 | 0.84 | 3.35 | 4.39 | 1.48 | 6.02 | 8.20 | 2.00 | 9.23 | 11.00 |
| May | 0.17 | 1.15 | 0.94 | 0.36 | 3.72 | 3.52 | 0.30 | 6.34 | 6.63 | 0.11 | 9.35 | 8.82 |
| June | 0.16 | 1.31 | 0.77 | (0.03) | 3.69 | 3.15 | (0.09) | 6.24 | 6.31 | 0.03 | 9.39 | 8.70 |
| July | 0.17 | 1.48 | 0.61 | 0.48 | 4.19 | 3.18 | 0.70 | 6.99 | 6.40 | 0.80 | 10.26 | 8.67 |
| August | 0.15 | 1.63 | 0.44 | 1.07 | 5.30 | 2.69 | 1.88 | 9.00 | 5.66 | 2.41 | 12.92 | 7.81 |
| September | 0.15 | 1.78 | 0.29 | 0.32 | 5.64 | 1.60 | 0.81 | 9.88 | 3.71 | 1.25 | 14.33 | 5.27 |
| October | 0.14 | 1.93 | 0.14 | 1.28 | 6.99 | 1.28 | 2.88 | 13.04 | 2.88 | 3.97 | 18.87 | 3.97 |

The first section of the table is for options at a PIR of 28%; the second section, as designated by suffixes of 17.5, are at a PIR of 17.5%.

The first two columns under each Investment Option in the tables show the earning rate allocated to Members for the month and the year to date period.

The third column under each Investment Option gives an aggregate rate for Members who joined during the year. This column should be read by referencing the line that matches the month of joining. For example, joining the Balanced Investment Option during May gave a 6.40% earning rate for the May to October period.

Actuarial Declaration

A triennial actuarial examination is required by Section 169 of the Financial Markets Conduct Act 2013. The most recent examination was carried out as at 31 October 2014. The examination revealed that the fund was in a sound position with an actuarial surplus of approximately \$3.6m. A triennial examination is underway as at 31 October 2017.

The Board receives updates of the Pension liabilities annually, from the Actuary. The last update was dated 10 November 2017 and was for the year ended 31 October 2017. In that update the Actuary valued the Pension liabilities at \$28.34m and stated the ratio of the market value of the assets held to cover the Pension liability, to the value of that liability, was 113%. The assets that cover the Pension liabilities are invested in a segregated portfolio comprising mainly long dated New Zealand Government Stock.

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.

Changes to persons involved in the scheme

The Board, as manager, comprises nine members consisting of:

- four representatives appointed by the Bank being:
 - (a) one member who is the Chief Executive of the Bank (or his/her nominee),
 - (b) two members appointed by the Bank,
 - (c) one member appointed by the Chief Executive of the Bank,
- four members elected by Members of the Scheme, and
- one independent member appointed by the Board (known as the Licensed Independent Trustee). The FMC Act requires an independent Board member.

The Board are:

| Name | Bank Position | Constitution | 2017 Changes |
|---------------------------------------|---|---|----------------------------------|
| Bank-appointed representatives | | | |
| Christopher Harril Reid | Chief General Counsel, Auckland | Appointed by the Board of Directors of the Bank, April 2013. Chairperson since April 2013 | |
| Vacant | | Appointee of the Chief Executive of the Bank | |
| Graeme David Liddell | Head of Markets, Wellington | From December 2013, nominee of the Chief Executive of the Bank | |
| Vacant | | Appointed by the Board of Directors of the Bank | Jacki Farman resigned |
| Member-elected representatives | | | |
| Matthew Rowland Cullum | Chief Operating Officer - Risk, Auckland | Must reside in North Island Elected October 2008; re-elected October 2011 and October 2014 | |
| Kyle Roderick Berryman | Client Director, Auckland | Must reside in North Island Elected October 2015 | |
| Adam Reinhardt Ward | Head of Third Party, Auckland | If no Division 1 member nominated, a Division 2 member Elected April 2017 | Replaced Ian Russon who resigned |
| Leanne Jane Stapylton-Smith | Manager, Treasury Solutions, Christchurch | Must reside in South Island Elected August 2016 | |
| Licensed Independent Trustee | | | |
| Paul Steven Bevin | Independent of Bank, Wellington | From 6 September 2016 Previously a Bank- appointed member from July 2005 | |

The Scheme Secretariat comprises:

Bruce Burrows - Business Manager

Cyril Bray - Administration Officer

There were no changes to the secretariat staffing during the Scheme Year.

The Investment Managers

Russell Investment Management Limited, P O Box 105-191, Auckland

Fisher Funds Management Limited, P O Box 33 549, Takapuna, Auckland

AMP Capital Investors Limited, P O Box 3764, Wellington (until 1 August 2017)

ANZ Investments, P O Box 7149, Auckland (until 1 August 2017)

Mint Asset Management. P O Box 91649, Auckland (from 1 August 2017)

Harbour Asset Management, P O Box 3363, Wellington

The Board called upon a number of expert advisers.

Actuary

Ian Midgley, Melville Jessup Weaver, P O Box 11330, Wellington

Auditor

Deloitte Limited, P O Box 1990, Wellington

Solicitors

Chapman Tong Law, P O Box 10 614, Wellington
DLA Piper New Zealand, P O Box 2791, Wellington

Investment

Russell Investment Group Limited, P O Box 105-191, Auckland

Tax

KPMG, P O Box 996, Wellington

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

How to find further information

If you would like more information about matters covered in this report or about Scheme Membership in general, you should refer to the Scheme's website www.bnzopa.co.nz or 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

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

- Fund Update
- Full set of financial statements to statutory format
- Product Disclosure Statement
- Statement of Investment Policy & Objectives
- The Rules of the Association
- Latest triennial actuarial examination

With an exception of the actuarial examination, all are available for reading on the Association's website: www.bnzopa.co.nz or the scheme or offer register for the Association on the Disclose website www.companiesoffice.govt.nz/disclose.

Contact details and complaints

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, your membership, or the offer of the Association you should in the first instance contact the Chairperson at the address shown below. The Board has appointed Financial Services Complaints Limited (**FSCL**) as its disputes resolution service provider.

For any queries about the Association or the offer of membership of the Association, please contact the Scheme Secretariat at the address, email, or phone numbers shown below.

Communication with the Board

Please address correspondence to:

The Chairperson

Bank of New Zealand Officers' Provident Association

P O Box 2392

Wellington

Phone (04) 474 6780 or (04) 474 6779

For the Scheme Secretariat,

Contact: Bruce Burrows or Cyril Bray by:

Email: bnzopa@bnz.co.nz

Phone (04) 474 6780 or (04) 474 6779

- or address correspondence to:

Bank of New Zealand Officers' Provident Association

P O Box 2392

Wellington

FSCL may be contacted at:

Financial Services Complaints Limited

4th Floor

101 Lambton Quay

P O Box 5967

Wellington

Telephone: 0800 347257

The Scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Your feedback is welcome

The main communication channels used are email and the web-site www.bnzopa.co

SUPPLEMENTARY INFORMATION

The Board considers readers may find the information that follows useful.

Summary Financial Statements & Notes

The Financial Statements included within this Annual Report are in 'summary form' and are in compliance with FRS-43 Summary Financial Statements.

They are an extract from the Bank of New Zealand Officers' Provident Association's full statutory format financial statements, signed on 5 December 2017, with an unqualified and unmodified audit opinion, and should be read in conjunction with Notes 1 and 3 below and Notes 1 to 20 from the full financial statements.

The summary 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 or visit www.companiesoffice.govt.nz/disclose.

The full statutory financial statements for the year ended 31 October 2017 comply with International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards 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; and
- Statutory Base: These financial statements have been prepared in compliance with FRS-43 (summary financial statements), the Financial Markets Conduct Act 2013, Financial Reporting Act 2013, and the Bank of New Zealand Officers' Provident Association Rules.

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

The summary 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.

NOTE 1 – Vested Benefits

Vested benefits are the rights which are not conditional on continued Membership, under the conditions of the Association. At the 31 October 2014 actuarial valuation the total account balances of Division 2 members amounted to \$241.3 million, of which all but \$2.1 million was vested. All of the actuarial liability relating to pensioners is vested. The equivalent non vested amount at 31 October 2017 was approx. \$2.1 million.

At 31 October 2014, the total vested promised retirement liability was \$241.3 million (including the surplus and undistributed earnings), compared to net assets of \$243.4 million. The equivalent total vested promised retirement liability at 31 October 2017 was \$273.33 million, compared to net assets of \$275.45 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 summary financial statements comply with accounting standard FRS-43: Summary Financial Statements.

Summary Financial Statements

Bank of New Zealand Officers' Provident Association Summary Statement of Changes in Net Assets For the year ended 31 October 2017

| | 2017 \$(000's) | 2016 \$(000's) |
|--|-------------------|-------------------|
| INVESTMENT ACTIVITIES | | |
| Investment revenues / (Losses) | | |
| New Zealand Fixed Interest and Cash revenue | 1,536 | 1,527 |
| Global Fixed Interest revenue | 1 | 0 |
| New Zealand Equities dividend and interest | 860 | 953 |
| Non Division 2 assets – Fixed interest | 1,328 | 1,488 |
| International Equities distribution income | 17,581 | 7,296 |
| Global Property rebate income | 162 | 162 |
| Changes in net market values - Unrealised Gains / (Losses) | 2,024 | (1,139) |
| - Realised Gains / (Losses) | 7,072 | 3,313 |
| Total investment revenues | 30,564 | 13,600 |
| Miscellaneous Income – use of money interest | 0 | 8 |
| Total revenues | 30,564 | 13,608 |
| Less Investment management fees | 1,160 | 1,049 |
| Net investment activities | 29,404 | 12,559 |
| Operating expenses | | |
| Audit fees | 33 | 35 |
| Other fees paid to Auditors | 18 | 0 |
| Actuarial fees | 8 | 10 |
| Depreciation | 7 | 1 |
| Financial Markets Authority and Other Compliance | 37 | 43 |
| General expenses | 36 | 56 |
| Interest expense | 0 | 0 |
| Other professional fees | 159 | 185 |
| Staff | 271 | 293 |
| Board remuneration | 24 | 20 |
| Non-deductible GST | 45 | 52 |
| Use of money interest – IRD | 4 | 0 |
| Total operating expenses | 642 | 695 |
| Net income/(deficit) before tax and Membership activities | 28,762 | 11,864 |
| Income tax expense | 2,089 | 3,426 |
| Net income/(deficit) after tax and before Membership activities | 26,673 | 8,438 |
| MEMBERSHIP ACTIVITIES | | |
| Members' contributions | 10,395 | 10,243 |
| Employer contributions | 8,520 | 8,733 |
| Less Benefits paid | 28,126 | 23,792 |
| Net Membership activities (decrease) | (9,211) | (4,816) |
| Net increase in assets | 17,426 | 3,622 |
| Net assets available to pay benefits at beginning of year | 257,991 | 254,369 |
| Net assets available to pay benefits at end of year | 275,453 | 257,991 |

Bank of New Zealand Officers' Provident Association
Summary Statement of Net Assets
as at 31 October 2017

| | 2017 \$(000's) | 2016 \$(000's) |
|--|---------------------------------|-------------------|
| Bank accounts | 57 | 37 |
| Accounts receivable | 800 | 576 |
| Fixed Assets | 15 | 19 |
| Deferred tax asset | 17 | 17 |
| | 889 | 649 |
| Investments | | |
| Cash mandate | 30,790 | 29,402 |
| NZ Fixed Interest (Harbour product from 1 August 2016) | 20,063 | 21,747 |
| Non Division 2 assets – Fixed Interest | 30,339 | 33,082 |
| Equities – New Zealand and Australia | 24,269 | 20,978 |
| Global Fixed Interest (Fisher product) | 77,204 | 78,165 |
| International Equities – Russell un-hedged | 47,403 | 35,735 |
| International Equities – Russell hedged | 45,396 | 29,199 |
| Global Property Securities (AMP product) | 0 | 10,002 |
| | 275,464 | 258,310 |
| Total assets | 276,353 | 255,606 |
| Deduct liabilities | | |
| Accounts payable | 438 | 299 |
| Current tax | 462 | 669 |
| Total liabilities | 900 | 1,697 |
| Net assets available to pay benefits | 275,453 | 243,411 |
| Represented by member liabilities | | |
| Division 2 | 243,618 | 223,514 |
| Pension liability | 28,343 | 31,383 |
| Undistributed earnings – current year | 46 | 135 |
| Scheme surplus | 3,446 | 2,959 |
| | 275,453 | 257,991 |

Summary Statement of Cash Flows
for the year ended 31 October 2017

| | | |
|---|----------------|---------|
| Net cash flows used in operating activities | (9,458) | (5,676) |
| Net cash flows from investing activities | 9,478 | 5,662 |
| Net increase in cash held | 20 | (14) |
| Add opening cash brought forward | 37 | 51 |
| Closing cash carried forward | 57 | 37 |

Independent auditor's report on the Summary financial statements

Deloitte.

To the Members of Bank of New Zealand Officers' Provident Association

Opinion

The summary financial statements of Bank of New Zealand Officers' Provident Association (the 'Association'), which comprise the Summary Statement of Net Assets as at 31 October 2017, and the Summary Statement of Changes in Net Assets and Summary 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 2017.

In our opinion, the accompanying summary financial statements, on pages 9 to 12, are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary financial statements

The summary financial statements do not contain all the disclosures required by New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 5 December 2017.

Board of Managements' responsibilities for the summary financial statements

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

Auditor's responsibilities

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised): *Engagements to Report on Summary Financial Statements* ('ISA (NZ) 810').

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

Restriction on use

This report is made solely to the Association's Board of Management, 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 our audit report, for this report, or for the opinions we have formed.

Deloitte Limited

Silvio Bruinsma,
Partner for Deloitte Limited
5 December 2017

This audit report relates to the summary financial statements of Bank of New Zealand Officers' Provident Association (the 'Association') for the year ended 31 October 2017 included on the Association's website. The Board of Management are responsible for the maintenance and Integrity of the Association's website. We have not been engaged to report on the Integrity of the Association's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary 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 summary financial statements and related audit report dated 5 December 2017 to confirm the information included in the summary financial statements presented on this website.

Investments

EARNINGS (CREDITING RATES) - AVERAGES COMPARED TO SIPO EXPECTATIONS

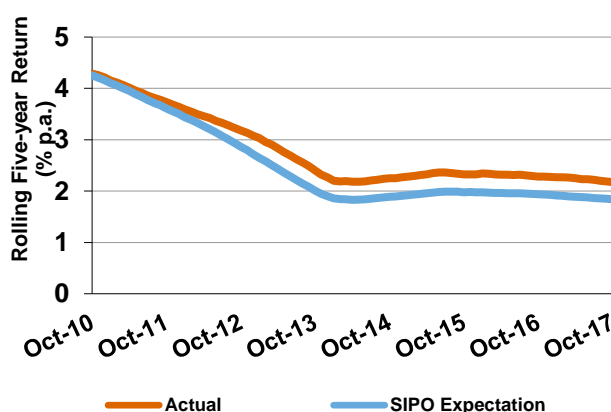
The Board encourages Members to review the Scheme's long-term investment performance relative to the SIPO. The relevant section of the SIPO remained unchanged after revision of the document for compliance with the FMC Act.

Cash and Conservative Investment Options

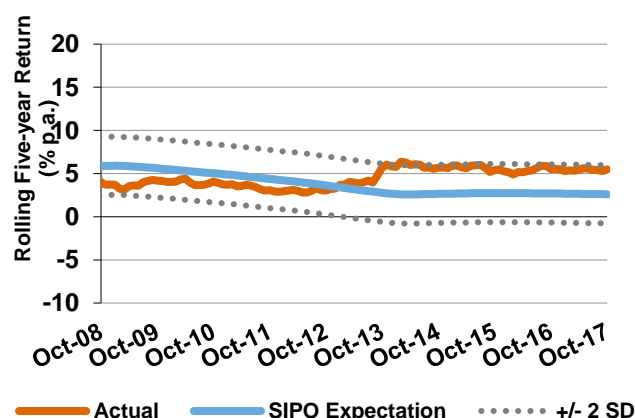
For the Cash option, returns exceeded SIPO expectations (refer the scheme SIPO document for more detail) because of inclusion of term deposits and other securities at favourable interest rates. For the Conservative option, returns exceeded expectations from strong returns from growth assets through 2017. The Cash option was Cash Plus from 2003 to 2005; hence rolling 5 year periods begin for Cash from 2010. The Conservative option now has 5 years actual returns for 2013 to 2017 (the option was introduced on 1 August 2012) with back-filled data for earlier years at assessed rates.

' ± 2 SD' under the graph means plus or minus two standard deviations. A standard deviation is a mathematical measure of the amount by which a series of numbers (such as investment returns) vary around their mean. A high standard deviation indicates high volatility while a low standard deviation indicates stable returns.

**Cash MCI Option
(Rolling Five Year Return)**



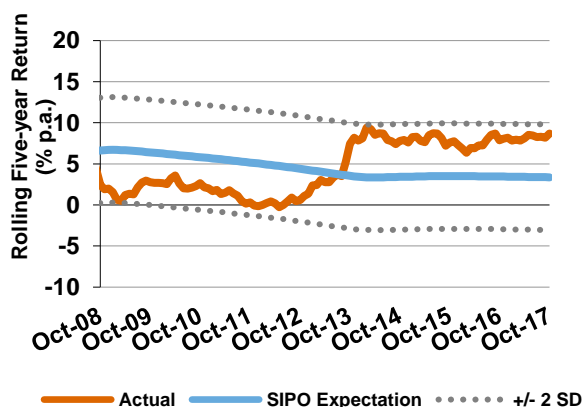
**Conservative MCI Option
(Rolling Five Year Return)**



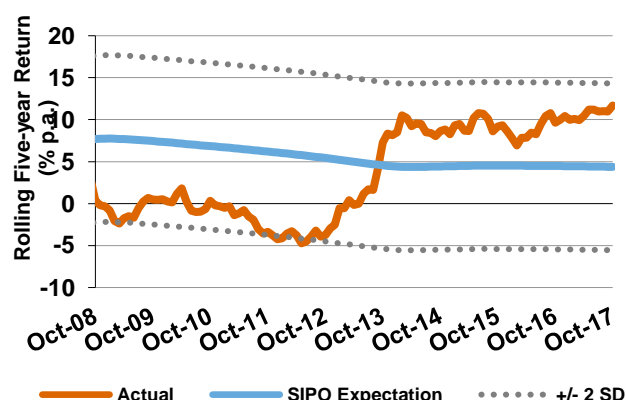
Balanced & Growth Investment Options

The earning rates for Balanced and Growth Investment Options for 2017 increased significantly over 2016, due to strong returns from growth sector assets through the year. Actual returns on a 5 year rolling basis remained well above SIPO expectation levels, as shown in rolling 5 year graphs that follow.

**Balanced MCI Option
(Rolling Five Year Return)**



**Growth MCI Option
(Rolling Five Year Return)**



MEMBER CHOICE INVESTMENT OPTION EARNINGS (CREDITING) RATES ANALYSIS

The table below shows the allocation to income and growth assets for each Investment Option, and the respective contributions to the gross return. Income assets comprise cash and fixed interest sectors. Growth assets comprise equities, and for part of 2017 property, sectors. It gives insight to the 2017 year component within the graphs above.

| Contribution to actual return | | |
|---|-----------|-----------|
| Cash | This year | Last year |
| Gross Investment Return – Income Assets | 2.71% | 2.92% |
| MER (Fees and expenses) | (0.36)% | (0.37)% |
| Tax (at PIR of 28%) | (0.65)% | (0.71)% |
| Net earnings rate | 1.70% | 1.84% |
| Contribution to actual return | | |
| Conservative | This year | Last year |
| Income Assets | 4.95% | 4.85% |
| Growth Assets | 3.24% | 0.87% |
| Total – Gross Invest Return | 8.19% | 5.72% |
| MER (Fees and expenses) | (0.57)% | (0.59)% |
| Tax (at PIR of 28%) | (0.91)% | (1.45)% |
| Net earnings rate | 6.71% | 3.68% |
| Contribution to actual return | | |
| Balanced | This year | Last year |
| Income Assets | 4.22% | 4.15% |
| Growth Assets | 10.21% | 1.63% |
| Total – Gross Invest Return | 14.43% | 5.78% |
| MER (Fees and expenses) | (0.76)% | (0.77)% |
| Tax (at PIR of 28%) | (1.02)% | (1.61)% |
| Net earnings rate | 12.65% | 3.40% |
| Contribution to actual return | | |
| Growth | This year | Last year |
| Income Assets | 2.49% | 1.74% |
| Growth Assets | 17.97% | 2.71% |
| Total – Gross Invest Return | 20.46% | 4.45% |
| MER (Fees and expenses) | (0.89)% | (0.91)% |
| Tax (at PIR of 28%) | (1.05)% | (1.35)% |
| Net earnings rate | 18.52% | 2.19% |

It must be noted past performance should not be read as an indicator of future returns.

In the table above, 'This year' refers to the year period ended 31 October 2017, and 'Last year' refers to the year period ended 31 October 2016.

