

BNZ KIWISAVER SCHEME

Annual Report 2018

For the period 1 April 2017 to 31 March 2018



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Details of the Scheme

- The name of the Scheme is the BNZ KiwiSaver Scheme.*
- The Scheme type is a registered KiwiSaver Scheme under the Financial Markets Conduct Act 2013.
- The Manager of the Scheme is BNZ Investment Services Limited.
- The Supervisor of the Scheme is The New Zealand Guardian Trust Company Limited.
- The latest Product Disclosure Statement is dated 28 March 2018 and is open for applications.
- The latest Fund Update for each of the funds in the Scheme are for the period ending 30 June 2018.
- The latest Financial Statements and Auditor's Report have been lodged with the Registrar and cover the financial year from 1 April 2017 to 31 March 2018. These were lodged on 17 July 2018.

*For the purpose of this report, the term 'BNZ KiwiSaver' and 'the Scheme' are abbreviations for the BNZ KiwiSaver Scheme and readers should view those terms interchangeably.

KIA ORA AND WELCOME



Paul Carter
Chief Customer Officer,
Consumer & Wealth

KiwiSaver has fast become an important way for New Zealanders to save for their future. So when it comes to choosing a KiwiSaver provider, it's important to be comfortable with your decision.

We're honoured you've chosen us to look after your savings - it's not something we take for granted. It's what drives us to keep delivering you an exceptional KiwiSaver experience, year after year.

As with most things, proving this is about more than just words. That's why we're delighted that for the second year running, BNZ KiwiSaver members have voted us the Consumer NZ People's Choice Award Winner for KiwiSaver. For us, this award is recognition of the hard work done across BNZ to make sure we're continuously improving our service to you as a BNZ KiwiSaver member and an investor.

To the **35,073** of you who've joined BNZ KiwiSaver since this time last year, we wish you a warm welcome. Whatever your savings goals are, we look forward to helping you reach them. And we hope these highlights give you confidence that you're in good hands.

First and foremost, the combined investment returns made by BNZ KiwiSaver members totalled **\$86.5 million** last year. We saw contributions from members increase to over **\$263 million**, with the average member balance increasing to **\$12,176**. That takes our total member savings past the **\$1.6 billion** mark, which is an incredible **41%** up on this time last year. And with **\$75.7 million** of that invested in our First Home Buyer Fund, it's tremendous to see more of our members striving to achieve one of life's biggest milestones.

Of course, these are all just numbers. But when you consider that these numbers reflect the savings of **134,553** New Zealanders, it makes them very special.

I'm excited about another great year for the BNZ KiwiSaver Scheme and look forward to reporting back to you this time next year.

Cheers,

A handwritten signature in black ink, appearing to read 'Paul', written in a cursive style.

Paul

“Whatever your savings goals are, we look forward to helping you reach them.”

Highlights and achievements

Won the Consumer NZ 2018 People's Choice award for KiwiSaver providers for the second year running.



Celebrated the continued growth of BNZ KiwiSaver.

\$1,638,280,000 invested on behalf of

41% from last year

134,553 members

22% from last year

More of our members are embracing BNZ online.



78,335 members checked their balance and transactions online.

New Retirement Calculator was used 3,908 times since its December launch.

> bnz.co.nz/kiwisavercalculator

Fund finder tool was used 15,645 times.

> bnz.co.nz/kiwisaverwhatfund



\$75.7m invested in the First Home Buyer Fund on behalf of 9,783 members

82% from last year



Average member balance up to \$12,176

4,115 of you changed your BNZ KiwiSaver fund using BNZ Internet Banking last year.

How our funds performed

Annual investment performance

We're delighted to report that once again, all the BNZ KiwiSaver funds generated positive returns for the year to 31 March 2018.

In the chart below, the first bar in each pair shows the percentage return for the year to 31 March 2018. The second bar in each pair shows the average percentage return earned by the fund each year since it started.

Both New Zealand and international share markets enjoyed an excellent year in 2017, with historically low levels of volatility. This was driven by an improving global economy and strong earnings growth from the corporate sector. These gains continued into the start of 2018, but came to an abrupt halt in February 2018, when we saw share markets fall and volatility rise again. Investors were spooked by data showing an unexpected increase in US workers' wages, which could drive up inflation and US interest rates sooner, and by more than expected.

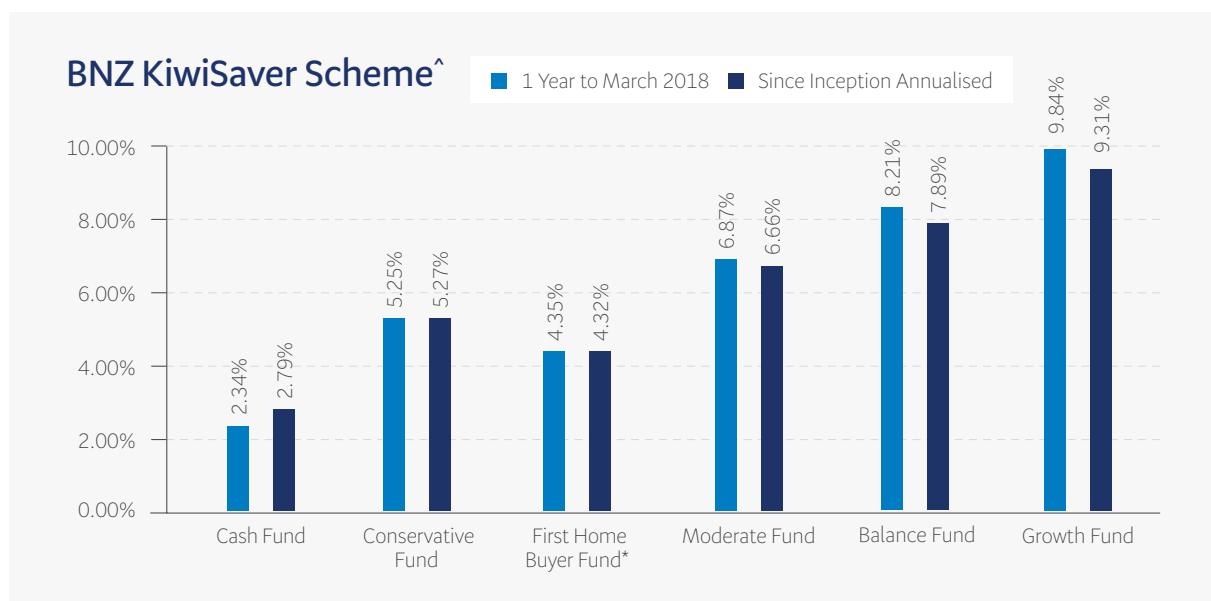
Generally, when US rates move the rest of the world follows. And with interest rates rising and a potential international trade war breaking out between the US and its key trading partners, market conditions in the year ahead are likely to be a little less stable, with higher levels of volatility than we've become used to. So, it's worth looking briefly at what volatility is. Essentially, it's fluctuations, both up and down, in the prices of shares. However, when most people hear the term they generally think about the downside - when share prices are falling. And it's true that we tend to see more of a rollercoaster ride when the market is trending down.

Despite the higher recent volatility, over the full year, our growth orientated funds that invest more in things like company shares benefited more from the gains in the international share markets. And it was encouraging to see the New Zealand share market leading the way.

Of course, shares only make up some of the investments in some of our funds. That's because our funds are designed to give you choices when it comes to risk and return, to suit your goals. So it's important to make sure you've chosen a fund that best suits you. To help you choose one, we've made our Fund Finder tool even easier to use at bnz.co.nz/kiwisaverwhatfund

Our more conservative funds, which are likely to suit those closer to retirement or saving for a first home, invest more in lower risk and lower return investments, such as bonds and cash. These investments delivered modest returns, with less volatility than we saw with shares. Generally speaking, the less risk you take, the less potential return you'll get.

KiwiSaver is a long-term investment so it's important not to be distracted by short-term volatility. Our KiwiSaver funds are well diversified because they invest in a range of assets across many countries and industries to help smooth out the ups and downs of market volatility. Our long experience in investing gives us confidence that we've set up our funds to suit the long term saving needs of all New Zealanders.



[^]See footnote on page 5.

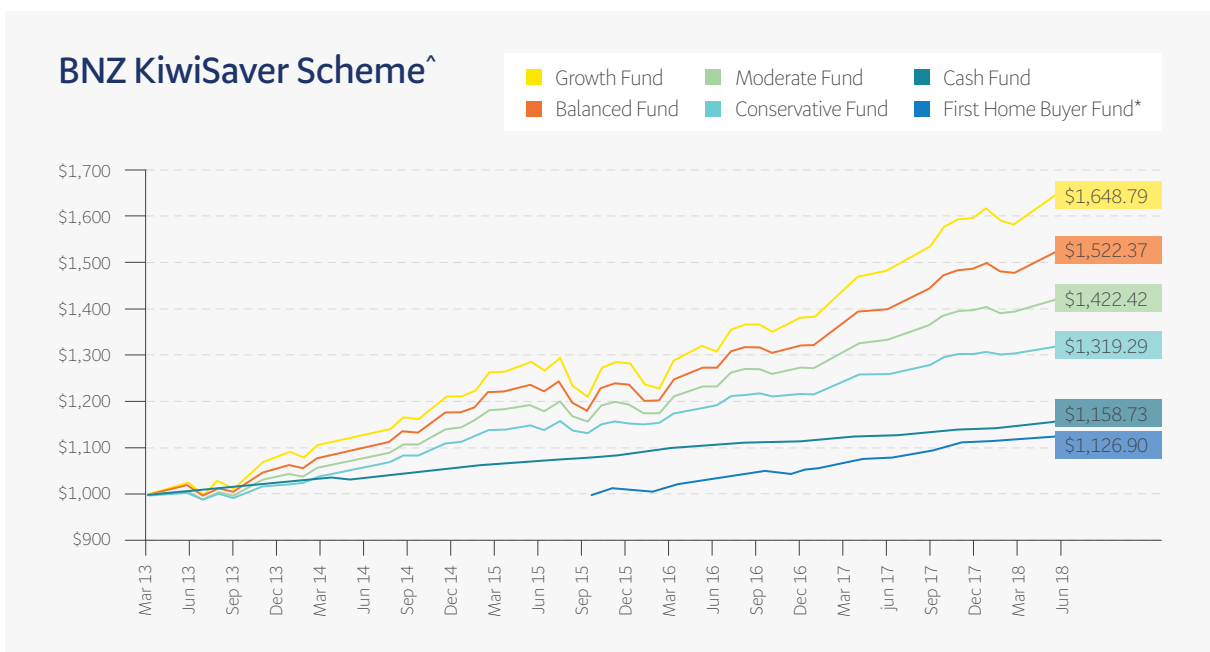


Fund performance since launch

The chart below shows how our funds have performed since the launch of BNZ KiwiSaver, with all our funds delivering returns consistent with what we'd expect. As you can see, markets (and fund performance) go up and down from time to time. You'll also see this in the dip in February 2018, which has been followed by a sharp recovery with returns trending upwards again.

Each line in this chart represents the growth of \$1,000 invested in the fund at launch. For example, \$1,000 invested in the Balanced Fund on 1 February 2013 (with no further contributions made) would have grown to \$1,522.37 by 30 June 2018.

The chart also shows how our growth-orientated funds fluctuate more, but generate higher long term returns.



Check you're in the right fund at bnz.co.nz/kiwisaverwhatfund

[^]Returns represent historical performance only and are not an indication or guarantee of future performance. The value of a fund may rise or fall depending on market conditions. Returns are calculated on the change in the unit price of each investment fund over the period specified, adjusted for tax. Each member's return will vary based on the unit price applicable to each contribution or withdrawal that is made and how long they have been invested for. Returns are calculated after deducting management fees and before deducting tax. *The inception date of the First Home Buyer Fund was 17 September 2015.

Information on contributions and Scheme participants



35,073 new members
welcomed to the Scheme this year.



20,379 of them transferred
from another KiwiSaver provider.

Membership changes

The table below shows how membership numbers have changed throughout the year ended 31 March 2018.

Start of the year as at 1 April 2017	Number of members	Member accumulation (\$'000)
Contributing members	76,265	
Non-contributing members	33,549	
Total number of members as at 1 April 2017	109,814	\$1,163,562
Plus		
Transfers from other schemes	20,379	
Other	14,694	
Total number of new members	35,073	
Less		
Retirement	316	
Death	94	
Transfers to other schemes	9,722	
Other	487	
Total number who ceased to be a member	10,619	
End of the year as at 31 March 2018		
Contributing members	94,134	
Non-contributing members	40,419	
Membership at the end of the year	134,553	\$1,638,280

Contributing more to BNZ KiwiSaver

Contributions from members and their employers increased by **28% to over \$263m**

85,790 or **83.6%** of our members received their full or partial **Member Tax Credit**.





Fly Buys

Over **1m** Fly Buys points converted into over **\$190,000** BNZ KiwiSaver Scheme contributions.

Contributions

This table shows the total amount of each type of contribution received by the Scheme during the year ended 31 March 2018, plus the number of members credited with each type of contribution.

	Number of members	Total amount
Member contributions	97,287	\$ 145,818,889
Member voluntary additional contributions	22,014	\$27,025,709
Employer contributions	97,217	\$91,022,260
Government contributions	86,603	\$35,025,844
Transfers from other KiwiSaver and registered superannuation schemes	20,429	\$232,148,854
Transfers from Australian complying superannuation schemes	238	\$8,131,136

Visit bnz.co.nz/mtc for tips on how to maximise the Government contribution.

Changes relating to the Scheme

Statement of Investment Policy and Objectives (SIPO)

The SIPO for the Scheme was updated on 1 September 2017 to reflect the introduction of active asset allocation. This included the widening of the allowable investment ranges, and a change to currency hedging which allowed for International Equities to move away from its strategic hedging position of 50%, to a range of 0-100%.

The SIPO for the Scheme was also updated on 19 March 2018 to reflect a change to the benchmark for the NZ Fixed Interest asset class from 75% S&P/NZX Government Bond Index 25% S&P/NZX A-Grade Corporate Bond Index to 50% S&P/NZX Government Bond Index 50% S&P/NZX Investment Grade Corporate Bond Index. This was driven by the change to the underlying fund manager of NZ Fixed Interest.

Product Disclosure Statement changes

A replacement BNZ KiwiSaver Scheme PDS was issued on 28 March 2018.

Manager line-up

The underlying fund managers for two asset classes were changed during the reporting period. Management of Australasian Equities moved from Russell Investments to Mint Asset Management and Nikko Asset Management. Management of NZ Fixed Interest moved from Russell Investments to Harbour Asset Management and AMP Capital.

Related Party Transactions

There have been no changes to the nature or scale of related party transactions. All related party transactions for the year to 31 March 2018 were on arms-length terms.



Other Information for particular types of managed funds

Over **\$38m** 
 withdrawn to help **1,995**
 members buy their first home.

Over **\$11m** 
 withdrawn for
 retirement.

Over **\$6m**  **withdrawn**
 to help members
 experiencing significant financial
 hardship **get back on their feet.**

Withdrawals

During the year ending 31 March 2018, the following withdrawals were made from the Scheme.

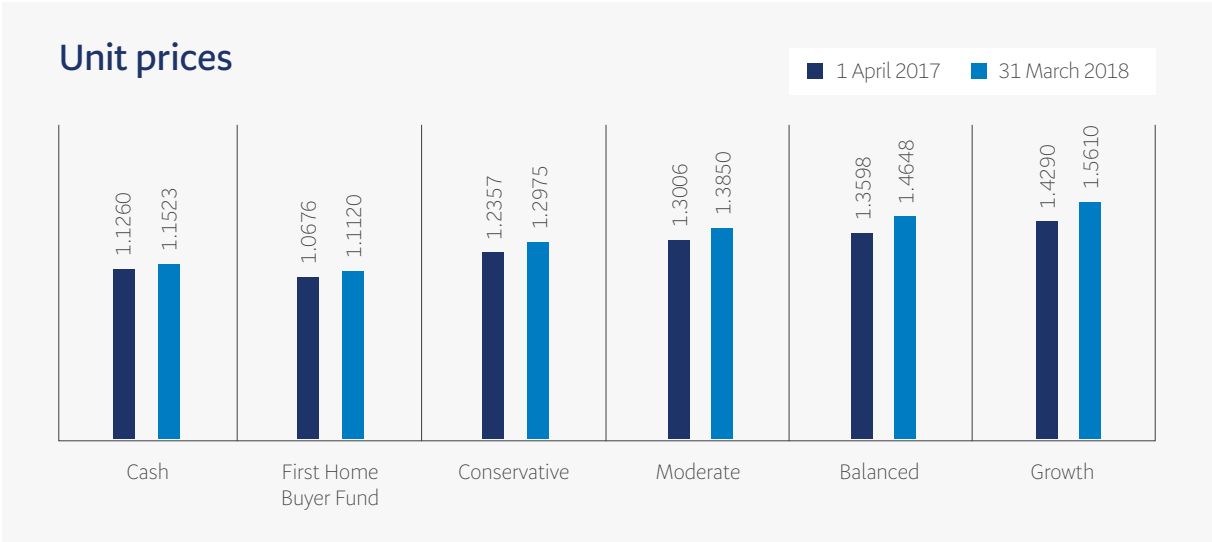
	Number of members	Total amount
First/second chance home withdrawal	1,995	\$38,595,887
Significant financial hardship	1,089	\$6,121,082
Serious illness	75	\$1,326,454
Permanent emigration	80	\$1,026,588
Retirement	644	\$11,197,299
Death	94	\$1,154,480
Transfer to an Australian complying superannuation scheme	4	\$54,689

Unit prices

This graph shows the unit price for each of the BNZ KiwiSaver Scheme funds on 1 April 2017, as well as at the end of the year on 31 March 2018.

Why is unit price important?

Changes in the unit price represent changes in the value of your investment over time. Generally, when the unit price goes up, the value of your KiwiSaver account goes up and when the unit price goes down, the value of your KiwiSaver account goes down.



Statement by the Manager

The Manager confirms that as at 31 March 2018:

1. All the benefits required to be paid from the Scheme in accordance with the terms of the Governing Document and the KiwiSaver scheme rules have been paid; and
2. The market value of the assets of the Scheme equalled or 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 as at 31 March 2018.

Signed:



Sharon Mackay
Authorised signatory
30 July 2018

Changes to persons involved in the Scheme

The directors of the manager:

BNZ Investment Services Limited

- Tony Lawrence Arthur resigned as a director on 18 August 2017
- Xiaohui Zhang appointed as a director on 16 February 2018

Administration manager: BNZ

- Anthony Healy resigned and Angela Mentis was appointed Managing Director and CEO on 1 January 2018.

Registrar: Trustees Executors Limited

- Franceska Banga was appointed as a Board Member on 18 July 2017.
- Andrew Scott-Howman was appointed as a director on 24 April 2017.

How to find further information

Information about the following is available for free on request:

- The governance of the Scheme, including the Governing Document and Statement of Investment Policy and Objectives.
- The performance of the Scheme, including the financial statements and Fund Updates.
- Key information an investor should be aware of before they become a member of BNZ KiwiSaver, including the Product Disclosure Statement and various other material information.

To view this information, feel free to go to the Disclose Register at disclose-register.companiesoffice.govt.nz (by clicking on 'Search offers' or 'Search schemes' and entering 'BNZ' in the 'issuer name or number' field). Or you can contact us using the contact information over the page.

Contact details and complaints

If you have any enquiries, we're always happy to help. To get an answer:

- **Speak** to us in any BNZ store
- **Call** us on 0800 269 5494
- **Contact** your usual BNZ relationship manager
- **Email** kiwisaver.support.team@bnz.co.nz, or
- **Write** to BNZ KiwiSaver Scheme Support Team, Level 4, 80 Queen Street, Auckland 1010.

The Supervisor can be contacted using the details below. The securities registrar can be contacted by writing to MMC Limited, PO Box 106 039, Auckland City 1143, (09) 309 8926.

If you have a complaint, try us first

Speak to us in any BNZ store. If you feel that your issue has not been adequately addressed, please tell our resolution team.

- **Ask** a BNZ Store Manager or the contact centre to pass your concerns on to BNZ Resolve.
- **Call** us on 0800 788 999, Mon–Fri, 9am–5pm, or from overseas on +64 9 924 9241 (international toll charges apply).
- **Write** to BNZ Resolve, PO Box 995, Shortland Street, Auckland 1140.

You can also try the Supervisor

Contact the Supervisor of the Scheme, The New Zealand Guardian Trust Company Limited.

- **Call** 0800 87 87 82
- **Email** ct-auckland@nzgt.co.nz
- **Write** Attention The Manager, Corporate Trusts, The New Zealand Guardian Trust Limited, PO Box 274, Shortland Street, Auckland 1140

If we still can't help you

If we or the Supervisor can't help you with your complaint, you can get independent help from our dispute resolution scheme, free of charge.

Banking Ombudsman

- **Call** 0800 805 950
- **Email** help@bankomb.org.nz
- **Write** to the Banking Ombudsman, Freepost 218002, PO Box 25327, Featherston Street, Wellington 6146, or
- **Visit** 5 Huddart Parker Building, 1 Post Office Square, Wellington 6011.

Financial Markets Authority

You can lodge a complaint directly with the FMA.

- **Call** 0800 434 566
- **Write** to Financial Markets Authority, PO Box 106672, Auckland 1143.

Financial Services Complaints Limited

To make a complaint about the Supervisor, contact the Supervisor's dispute resolution scheme, Financial Services Complaints Limited:

- **Call** 0800 347 257
- **Email** info@fscl.org.nz
- **Write** to Financial Services Complaints Limited, Floor 4, 101 Lambton Quay, PO Box 5967, Wellington 6145.

There is no charge to have your complaint investigated and/or resolved by the Supervisor of the Scheme, the Banking Ombudsman, or Financial Services Complaints Limited.

BNZ Investment Services Limited, a wholly owned subsidiary of BNZ, is the Issuer and Manager of the BNZ KiwiSaver Scheme. Download a copy of the BNZ KiwiSaver Scheme Product Disclosure Statement at bnz.co.nz, or pick up a copy from a BNZ store. Investments made in the BNZ KiwiSaver Scheme do not represent deposits or other liabilities of BNZ or any other member of the National Australia Bank Limited group, and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of BNZ, any other member of the National Australia Bank Limited group, the Supervisor, any director of any of them, the Crown or any other person guarantees (either fully or in part) the performance or returns of the BNZ KiwiSaver Scheme or the repayment of capital.

None of the matters in this publication are personalised financial advice. We recommend that you seek financial advice specific to your personal situation and goals from an Authorised Financial Adviser. BNZ Authorised Financial Advisers' Disclosure Statements are available on request and free of charge.